Freddie Mac Form 91, Part II
The Business Tax Returns

July 2020

Customer Education

Brought to you by: Genworth Customer Development and Process Consulting

YOU-CENTRIC SOLUTIONS THAT MATTER

Genworth Mortgage Insurance

Lender Responsibility

Investors (Fannie Mae, Freddie Mac, Private Investors) require it be determined that self-employed borrowers demonstrate the financial ability to repay the mortgage.

- History
- Income calculation
- Continuance / Stability of income

Today's Session Covers Conventional Loans And Reviews K-1s And Business Tax Returns; Personal Returns Are Reviewed in Part I

Objective

Learn to use the Freddie Mac Income Analysis Form (Form 91) and data from tax returns to calculate supportable Self-Employed Borrower income.

- Calculate Partnership Income and Expenses from K-1s and Form 1065
- Calculate S Corp (Sub-Chapter S) Income and Expenses from K-1s and Form 1120S

Documentation Matrix

Updated June 2020


Loan Product Advisor® Documentation Matrix

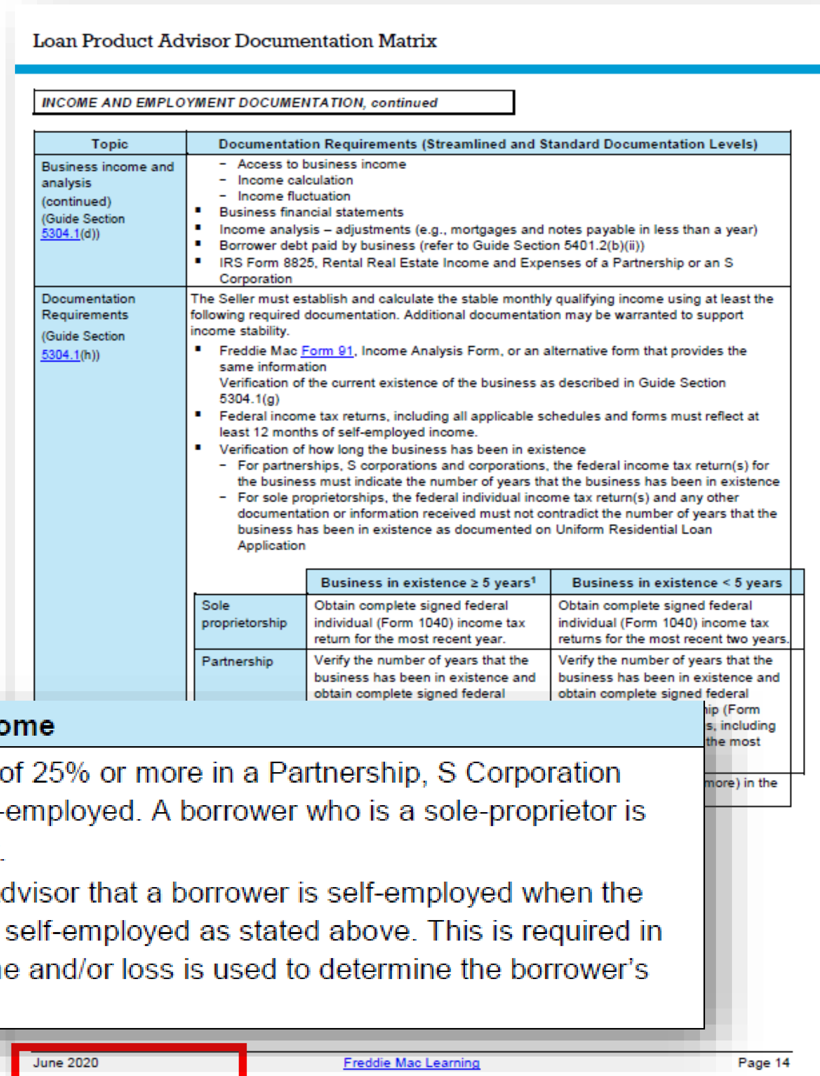
Freddie Mac Single-Family

COVID-19 Response Notice:

Visit our COVID-19 Resources web page for temporary guidance related to credit underwriting and property valuations.

What Has Changed in this Reference?

Topic	Change	Effective Date	Bulletin Announcement
Self-Employment Income	Selling guidance related to COVID-19: Temporary additional documentation requirements when using self-employed income for qualifying. This information will not be added to the Documentation Matrix but is an important bulletin announcement.	As of June 11, 2020 but can implement immediately	Bulletin 2020-19
Gift Funds	Gift funds must be transferred directly from the donor's account in a financial institution to the borrower's account or to the settlement or closing agent.	May 5, 2020	Bulletin 2020-1


Loan Product Advisor Documentation Matrix

INCOME AND EMPLOYMENT DOCUMENTATION, continued

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
Business income and analysis (continued) (Guide Section 5304.1(d))	– Access to business income – Income calculation – Income fluctuation ▪ Business financial statements ▪ Income analysis – adjustments (e.g., mortgages and notes payable in less than a year) ▪ Borrower debt paid by business (refer to Guide Section 5401.2(b)(ii)) ▪ IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation
Documentation Requirements (Guide Section 5304.1(h))	The Seller must establish and calculate the stable monthly qualifying income using at least the following required documentation. Additional documentation may be warranted to support income stability. ▪ Freddie Mac Form 91, Income Analysis Form, or an alternative form that provides the same information Verification of the current existence of the business as described in Guide Section 5304.1(g) ▪ Federal income tax returns, including all applicable schedules and forms must reflect at least 12 months of self-employed income. ▪ Verification of how long the business has been in existence – For partnerships, S corporations and corporations, the federal income tax return(s) for the business must indicate the number of years that the business has been in existence – For sole proprietorships, the federal individual income tax return(s) and any other documentation or information received must not contradict the number of years that the business has been in existence as documented on Uniform Residential Loan Application

	Business in existence ≥ 5 years[1]	Business in existence < 5 years
Sole proprietorship	Obtain complete signed federal individual (Form 1040) income tax return for the most recent year.	Obtain complete signed federal individual (Form 1040) income tax returns for the most recent two years.
Partnership	Verify the number of years that the business has been in existence and obtain complete signed federal	Verify the number of years that the business has been in existence and obtain complete signed federal

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Self-employed Income	
Self-employment indicator (Guide Section 5304.1)	A borrower who has an ownership interest of 25% or more in a Partnership, S Corporation and/or Corporation is considered to be self-employed. A borrower who is a sole-proprietor is considered to be a self-employed borrower. The Seller must indicate to Loan Product Advisor that a borrower is self-employed when the borrower meets Freddie Mac's definition of self-employed as stated above. This is required in all cases where the self-employment income and/or loss is used to determine the borrower's stable monthly income for qualifying.

http://www.freddiemac.com/learn/pdfs/uw/docmatrix.pdf

Documentation Matrix

Loan Product Advisor Documentation Matrix

***INCOME AND EMPLOYMENT DOCUMENTATION**, continued*

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
Business income and analysis (continued) (Guide Section 5304.1(d))	– Access to business income – Income calculation – Income fluctuation ▪ Business financial statements ▪ Income analysis – adjustments (e.g., mortgages and notes payable in less than a year) ▪ Borrower debt paid by business (refer to Guide Section 5401.2(b)(ii)) ▪ IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation
Documentation Requirements (Guide Section 5304.1(h))	The Seller must establish and calculate the stable monthly qualifying income using at least the following required documentation. Additional documentation may be warranted to support income stability. ▪ Freddie Mac Form 91, Income Analysis Form, or an alternative form that provides the same information Verification of the current existence of the business as described in Guide Section 5304.1(g) ▪ Federal income tax returns, including all applicable schedules and forms must reflect at least 12 months of self-employed income. ▪ Verification of how long the business has been in existence – For partnerships, S corporations and corporations, the federal income tax return(s) for the business must indicate the number of years that the business has been in existence – For sole proprietorships, the federal individual income tax return(s) and any other documentation or information received must not contradict the number of years that the business has been in existence as documented on Uniform Residential Loan Application

	Business in existence ≥ 5 years[1]	Business in existence < 5 years
Sole proprietorship	Obtain complete signed federal individual (Form 1040) income tax return for the most recent year.	Obtain complete signed federal individual (Form 1040) income tax returns for the most recent two years.
Partnership	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent year.	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent two years.

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Visit our COVID-19 Resources web page for temporary guidance related to credit underwriting and property valuations.

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Loan Product Advisor Documentation Matrix

INCOME AND EMPLOYMENT DOCUMENTATION, continued

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)		
Self-employed Income (continued)			
Documentation Requirements (continued) (Guide Section 5304.1(h))		**Business in existence ≥ 5 years[1]**	**Business in existence < 5 years**
	S Corporation	Verify the number of years that the business has been in existence and obtain complete signed federal individual and S corporation (Form 1120S) income tax returns, including the Schedule K-1(s), Form 1125-E and W-2(s) if applicable, for the most recent year.	Verify the number of years that the business has been in existence and obtain complete signed federal individual and S corporation (Form 1120S) income tax returns, including the Schedule K-1(s), Form 1125-E and W-s(s) if applicable, for the most recent two years.
	Corporation	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Corporation (Form 1120) income tax returns, including Form 1125-E and W-2(s) as applicable, for the most recent year.	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Corporation (Form 1120) income tax returns, including Form 1125-E and W-2(s) as applicable, for the most recent two years.

[1] The Borrower must be self-employed (i.e., have an ownership interest of 25% or more) in the same business for at least five years.

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Documentation Matrix

Self-employment disclosed on Form 65, Uniform Residential Loan Application (or other documentation), but not used to qualify (Guide Section 5304.1(e))	The Seller is not required to obtain any additional documentation or evaluate the income or loss from the self-employment for each borrower on the mortgage who: ▪ Has a primary source of income, other than self-employment, used for qualifying the mortgage (e.g., salaried income from regular employment), and ▪ Is self-employed and self-employment income is a secondary source of income. For each borrower on the mortgage who is self-employed and does not have another source of income that is used in qualifying the mortgage, the following requirements apply: ▪ The seller must obtain pages 1 and 2 of the borrower's federal individual tax returns, and the applicable schedules (e.g., Schedule C, Schedule E) to determine if there is a business loss that may have an impact on the stable monthly income. Refer to Guide Section 5302.4(b) for information about using IRS tax transcripts to meet certain portions of this requirement. – **If a business loss is reported and the borrower qualifies with the loss,** then the Seller is not required to obtain any additional documentation relating to the business loss. – **If a business loss is reported and the borrower does not qualify with the loss,** then the Seller must perform a business and income analysis to determine whether depreciation adjustments or other factors such as business closure or evidence of a one-time non-recurring event justify a reduction of the reported loss when calculating the stable monthly income. The Seller must obtain additional documentation needed to fully evaluate the loss and support the analysis (e.g. business tax returns (final or otherwise), evidence of a one-time non-recurring event). ▪ If the tax returns or other documentation in the mortgage file (e.g., IRS tax transcripts, additional Schedule K-1s) reflect positive income from self-employment but that income is not used to qualify, additional documentation (e.g., complete business or federal individual income tax return(s)) is not required. The Loan Product Advisor self-employed indicator is not required when self-employed income is not used to qualify.

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Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)	
Self-employed Income (continued)		
Verification of current existence of the business (Guide Section [5304.1](g))	Verification of the current existence of the business is required when positive income from the business is used as stable monthly income.	
	Acceptable third party sources	Acceptable third party sources include, but are not limited to: ▪ Regulatory agency ▪ Phone directory ▪ Internet source (e.g., Better Business Bureau) ▪ Directory assistance ▪ Applicable licensing bureau Verification of current existence of the business obtained verbally from an acceptable third party source must be documented and include all the following: ▪ Name and address of the business ▪ Name of individual and entity contacted to obtain the verification ▪ Date information verified ▪ Name and title of the individual who completed the verification for the Seller
	Alternative sources	The Seller may consider alternative sources if the above are not available, such as: ▪ Preparer of the tax returns for the business (e.g., accountant), provided the preparer has an arm's length relationship with the borrower ▪ ... s the ... income ... ut no

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*The temporary credit underwriting requirements below are effective for Mortgages with Application Received Dates on or after April 14, 2020, and remain in place for Mortgages with Application Received Dates on or before **August 31, 2020**; however, Sellers are encouraged to apply these updates to existing loans in process.*

Extended to 20 days in Bulletin 2020-27

Credit Underwriting:

- **Self-employed Borrowers: Verification of the current existence of the business- business open and operating**
  - Confirm that the Borrower's business is open and operating within **20** Business Days prior to the Note Date.

Below are examples of methods the Seller may use to confirm the Borrower's business is currently operating:

- Evidence of current work (e.g., executed contracts or signed invoices that indicate the business is operating on the day the Seller verifies self-employment)
- Evidence of current business receipts within 10 Business Days of the Note Date (e.g., payment for services performed)
- The Seller certification the business is open and operating (e.g., the Seller confirmed through a phone call or other means)
- Business website demonstrating activity supporting current business operations (e.g., timely appointments for estimates or service can be scheduled)

Bulletin 2020-19

Updates to COVID-19 impact on originations:

- Temporary requirements and guidance for self-employed income
- Temporary flexibilities for CHOICERenovation® Mortgages
- Delivery requirements for “no cash-out” refinance mortgages
- Data requirements for mortgages that are in COVID-19 forbearance and are delinquent

Freddie Mac
Single-Family

Bulletin

TO: Freddie Mac Sellers — May 28, 2020 | 2020-19

SUBJECT: SELLING GUIDANCE RELATED TO COVID-19

We continue to work closely with Fannie Mae under the guidance and direction of the FHFA to address the ongoing economic implications and uncertainty related to the coronavirus disease (COVID-19) pandemic and its impacts on Borrowers and the Mortgage origination process.

This Bulletin provides:

- Temporary requirements and guidance for Borrowers with qualifying income derived from self-employment
- Temporary flexibilities for CHOICERenovation℠ Mortgages
- Delivery requirements for "no cash-out" refinance Mortgages
- Temporary eligibility requirements related to the purchase of delinquent Mortgages in forbearance

We are also reminding Sellers of additional resources, including our Selling FAQs related to COVID-19, which we continue to update.

Note Date references

All references to the Note Date refer to the modification date for Seller-Owned Modified Mortgages, the Conversion Date for Seller-Owned Converted Mortgages, the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, or the assumption agreement date.

UNDERWRITING BORROWERS WITH SELF-EMPLOYMENT INCOME

Effective date

Sellers are encouraged to apply these temporary requirements to existing Mortgages in process; however, they must be applied to Mortgages with Application Received Dates on or after June 11, 2020 and until further notice.

Determining income stability with additional analysis and documentation

Due to the continued impact of the COVID-19 pandemic on economic conditions and businesses throughout the country, in addition to the requirements in Guide Chapters 5301 and 5304, Sellers must comply with the following temporary requirements when assessing income derived from self-employment in order to determine if the Borrower's income is stable and there is a reasonable expectation of continuance. The Mortgage file must include a written analysis of the self-employed income amount and justification of the determination that the income used to qualify the Borrower is stable.

Minimum additional documentation requirements
At a minimum, the following additional documentation must be obtained when assessing income from self-employment: • An unaudited year-to-date (YTD) profit and loss statement that is signed by the Borrower and reports business revenue (i.e., gross receipts or sales), expenses and net income. The information in the YTD profit and loss statement must cover the most recent month preceding the Application Received Date and be dated no more than 60 calendar days prior to the Note Date, and

https://sf.freddiemac.com/articles/news/guide-bulletin-2020-19-new-temporary-requirements-for-self-employed-income-choicerenovation-mortgages-and-more

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These temporary requirements are effective for Mortgages with Application Received on and after June 11, 2020 and until further notice. It is encouraged to implement these requirements to loans in process.

Due to the pandemic's continuing impact on businesses throughout the country, lenders are now required to obtain the following additional documentation:

- An unaudited YTD profit and loss statement (P & L) reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date and be dated no more than 60 days prior to the Note Date. It must be signed by the borrower. And
  - Two months business account statements no older than the latest two months represented on the YTD P & L statement. Or
- An **audited** YTD P & L reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date and be dated no more than 60 days prior to the Note Date.

Additional documentation may be needed to supplement the minimum required documentation in order to effectively assess the impact of the pandemic on the business.

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Bulletin 2020-19

These temporary requirements are effective for Mortgages with Application Received on and after June 11, 2020 and until further notice. It is encouraged to implement these requirements to loans in process.

Reviewing YTD P&L statements, business account statements and other documentation

- The Seller must determine if the business revenue, expenses and net income documented in the unaudited YTD profit and loss statement are reasonably consistent with the revenue and expense cash flow documented on the business account statements
- If the information on the YTD profit and loss statement is not reasonably consistent with the information on the business account statements, additional documentation (e.g., month-to-month or quarterly trending for YTD profit and loss, additional months and/or more recent bank statements) must be obtained to support the information and resolve the discrepancy
- If the unaudited YTD profit and loss statement cannot be supported by business account statements and/or other documentation, the self-employment income is not eligible for use in qualifying
- If the unaudited YTD profit and loss statement is supported, or if an audited YTD profit and loss statement is used, proceed to determining the current level of stable monthly income as outlined by Freddie Mac. See next slide.

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These temporary requirements are effective for Mortgages with Application Received on and after June 11, 2020 and until further notice. It is encouraged to implement these requirements to loans in process.

Establishing Stable Monthly Income

The Seller must review the YTD profit and loss statement (unaudited or audited), business account statements, and all other relevant factors and documentation to determine the extent to which a business has been impacted by COVID-19. Refer to

Business review and analysis

The Seller continues to be responsible for establishing that the Borrower's income is stable and likely to continue at the same level as used to qualify the Borrower. It is also expected that all Sellers ensure they are knowledgeable of the economic conditions related to a Borrower's business. The documentation and the Seller's analysis of the business must support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the Borrower. In addition to the business review and analysis requirements and guidance in Section 5304.1(d), the Seller must consider pandemic-related factors which may include, but are not limited to, the following:

- If the ability of the business to generate revenue or operate at full capacity has been negatively impacted by the pandemic, have business operations been modified to support continued revenue? Is continued business revenue supported by any other documentation or information supplied by the Borrower (e.g., modified business plans) or obtained from other sources?
- Impacts to the business operation, revenue and/or expenses, such as a break-down in the supply chain that is needed to maintain the product, a higher cost of expenses to obtain the product, or a lack of consumer demand for the product or service
- Impacts to the business operation, revenue and/or expenses due to temporary restrictions such as State shelter-in-place, stay at home or other similar State or local orders
- If temporary restrictions have been recently lifted, will the business continue to operate at a reduced level of revenue due to COVID-19-related factors, such as social distancing? If so, has the business been operating at this reduced level of revenue and/or increased level of expenses for a long enough period to establish income stability and is this documented with more recent business bank account statements evidencing this revenue flow or other equivalent information?
- Does the business currently have documented liquid assets or access to capital for operating expenses that support the financial ability of the business to operate given current market and economic conditions? Are those assets comprised of or supplemented by loan proceeds from the Small Business Administration (SBA) Payroll Protection Plan (PPP) or any other similar COVID-19-related program (e.g., federal, State or local level business loans and grants)? A current balance sheet may be used to support the lenders determination of business stability, in conjunction with the profit and loss statement and business bank statements.
- Additional economic information related to the business such as:
  - ➢ Whether the business is part of an industry that is experiencing increasingly negative pandemic-related impacts
  - ➢ Reputable news sources and economic forecasts related to the business industry and pandemic progression
  - ➢ Whether the business type is in what is considered a high contact-intensive industry and if the higher risk of exposure to COVID-19 may present an impact to the potential for income stability and/or continuance until the medical issues surrounding the pandemic are closer to being resolved, whether or not there are State or local orders that temporarily restrict the business operation

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Bulletin 2020-19

These temporary requirements are effective for Mortgages with Application Received on and after June 11, 2020 and until further notice. It is encouraged to implement these requirements to loans in process.

Establishing Stable Monthly Income- continued

- The Seller must establish the current level of stable monthly self-employment income using details from the YTD profit and loss statement, business account statements, and supplemental documentation, as applicable
- The Seller must determine whether the income level has declined by comparing the information on the YTD profit and loss statement to the business revenue (i.e., gross receipts or sales) and expenses reported on the most recent year's business tax return(s), and the net monthly income as calculated in accordance with requirements and guidance in Chapter 5304, including use of Guide Form 91, *Income Calculations*, or a similar alternative form
- See examples on next slide

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Bulletin 2020-19

These temporary requirements are effective for Mortgages with Application Received on and after June 11, 2020 and until further notice. It is encouraged to implement these requirements to loans in process.

Establishing Stable Monthly Income- continued

The income level has not changed or has increased	Use the qualifying income calculated following standard requirements and guidance in Chapter 5304, including the use of Form 91 or a similar alternative form. A YTD profit and loss statement, audited or unaudited, cannot be used to support a higher level of income than the amount derived from Form 91 or a similar alternative form.
The income level has declined	• Determine if the income has stabilized. The Seller may need to obtain additional documentation to supplement the YTD profit and loss statement (e.g., a month-to-month income trending analysis, additional months and/or more recent business account statements) to make this determination. • If the income has stabilized:
	➢ Use no more than the current level of stable monthly self-employment income using details from the YTD profit and loss statement, business account statements, and supplemental documentation, as applicable ➢ Adjustments (e.g., depreciation) to the YTD profit and loss net income may be made in accordance with the requirements and guidance in Guide Section 5304.1(d) and Form 91, and in alignment with the adjustments based on the tax returns, as appropriate • If the income is declining and has not stabilized, then the income is not eligible for qualifying

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Bulletin 2020-19

These temporary requirements are effective for Mortgages with Application Received on and after June 11, 2020 and until further notice. It is encouraged to implement these requirements to loans in process.

Business Assets

Loan proceeds from the SBA Payroll Protection Plan (PPP) and/or any other similar COVID-19-related program(s) (e.g., federal, State or local level business loans and grants) are not considered business assets (as described in Section 5501.3(b)(iv)) for the purposes of eligible funds to qualify the Borrower for the Mortgage transaction, including, but not limited to, funds for Down Payment, Closing Costs and reserves.

https://guide.freddiemac.com/app/guide/bulletin/2020-19

Documentation Matrix

Excluding Self-employed borrower debt paid by the business (Guide Section 5401.2(b))	When a self-employed borrower is obligated on a debt that has been paid by the borrower's business for 12 months or longer, the monthly payment for the debt may be excluded from the monthly debt payment-to-income ratio if the following requirements are met: ▪ The mortgage file contains evidence that the debt has been paid timely by the borrower's business for no less than the most recent 12 months, and ▪ The tax returns evidence that business expenses associated with the debt (e.g., interest, lease payments, taxes, insurance) have been reported and support that the debt has been paid by the business.

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Chapter 5304.1(d) Business & Income Analysis

Analysis	
Topic	Requirements and guidance
Business and income analysis	Business review and analysis: The Seller's analysis of the business must support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the Borrower. • The analysis must include a review of the business tax returns • The Seller's review must include, at a minimum, an analysis of gross receipts or sales, cost of goods sold and gross profits. All should be typical for the type of business and reflect consistent year over year trends. In addition, the business expenses should be reasonable for the type of business activity and level of business income. Business tenure should be considered. • The Seller may determine that review and analysis of the business financial statements, business asset statements, and in the case of Partnerships and S corporations, an analysis of the historical cash distributions, is necessary to establish the financial and liquidity standing of the business. In addition, the Seller may calculate and consider the liquidity ratios of the business using generally accepted accounting practices when analyzing the liquidity of the business.

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https://guide.freddiemac.com/app/guide/content/a_id/1000657

Chapter 5304.1(d) Business & Income Analysis

Analysis	
Topic	Requirements and guidance
	Use of business income reported on the Borrower's federal individual income tax returns • For sole proprietorships, stable monthly income must be based on the income reported on Schedule C of the Borrower's federal individual income tax returns • For Partnerships and S corporations, stable monthly income may be based on the Borrower's proportionate share of income (e.g., ordinary income, guaranteed payments) carried from the Form 1065 or 1120 S, through the Schedule K-1 and onto the Borrower's federal individual income tax returns. Although cash distributions reported on the Schedule K-1 may not be used as qualifying income, they may be used to establish business liquidity and access to business funds, provided they are reasonably consistent with the ordinary income. • For S corporations and corporations, stable monthly income may be based on the income reported on the Borrower's W-2 from the business. The corporate tax returns and Form 1125-E if applicable, must be reviewed for confirmation of the Borrower's W-2 income from the business.

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Chapter 5304.1(d) Business & Income Analysis

Analysis	
Topic	Requirements and guidance
	Use of business income not reported on the Borrower's federal individual income tax returns • Income reported on the business tax returns but not on the personal tax returns may be considered as stable monthly income, provided the Seller's analysis confirms that based on the financial strength of the business, the use of these funds as personal income would not have a detrimental impact on the business Access to business income Documentation is not required to verify access to business income for the following: • Sole proprietorships • Ordinary income, net rental real estate income, other net rental income and guaranteed payments received from partnerships and S corporations • W-2 income received from S corporations and corporations, • Corporations, if the Borrower holds 100% ownership interest If business income not reported on the Borrower's federal individual income tax returns is being used to qualify and none of the categories above apply, then the Seller must verify that the Borrower's legal right to the business income that is used as stable monthly income is not encumbered, restricted or prevented by the corporate resolution, partnership agreement, or other comparable document.

Income calculation

The Seller's calculation of a self-employed Borrower's average monthly income must be based on a review of the Borrower's complete federal individual income tax returns (Form 1040) including W-2's and Schedule K-1's (if applicable) and the Borrower's complete federal income tax returns for the business (Forms 1120, 1120 S and 1065), when applicable.

The Seller must analyze the tax returns and document the calculation of the Borrower's self-employed income on Form 91, Income Calculations, or a similar alternative form.

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Chapter 5304.1(d) Business & Income Analysis

Analysis	
Topic	Requirements and guidance
	Income fluctuation • As part of the analysis, the Seller must consider whether the Borrower's self-employed income has increased or decreased over the previous two years when the Seller's analysis includes a review of documentation covering a history greater than one year • If the analysis reflects that the Borrower's income has significantly increased or decreased, the Seller must provide sufficient documentation and justification to support the determination that the income used to qualify the Borrower is stable and likely to continue for the next three years • It may be necessary to obtain additional years' tax returns when the Borrower's self-employment income fluctuates in order to determine the stability of the income

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Borrower Name: ______________________

Freddie Mac

Form 91

Income Calculations

Form 91 is to be used to document t
form is a tool to help the Seller calcul
must be based on the requirements a
5300. This form does not replace the
for self-employed Borrowers as descr

I. Income Calculations fro

IRS Form 1040 Federal Individua

1. W-2 Income from self-employ Name of business: ______
IRS Form 1040, Line 7 (Section
Subtotal of W-2 income from s

[1]Validate with business returns and IRS F

2. Schedule B – Interest and Or
Recurring interest income (Chapt
Recurring dividend income (Cha
Dividend income from self-emp
Subtotal of dividends and inte

II. Income Calculations from IRS Schedule K-1 and IRS Form 1065

8. Partnership Income (Refer to Chapter 5304)

Name of business: ______________________

Partnership – Schedule K-1 (IRS Form 1065)	Year:	Year:
Ordinary Business Income or Loss	(+/-)	(+/-)
Net rental real estate income or loss	(+/-)	(+/-)
Guaranteed Payments	(+)	(+)
Subtotal from Schedule K-1 (IRS Form 1065)	$	$

Partnership Income from IRS Form 1065	Year:	Year:
Depreciation (IRS Form 1065)	(+)	(+)
Depreciation (IRS Form 8825) (Guide Section 5304.1(d))	(+)	(+)
Depletion	(+)	(+)
Amortization or casualty loss	(+)	(+)
Mortgage, notes, bonds payable in less than one year (Section 5304.1(d))	(-)	(-)
Other nonrecurring income or loss	(+/-)	(+/-)
Travel and entertainment exclusion	(-)	(-)
Subtotal prior to application of ownership interest percentage	$	$
Multiply by total percentage of ownership (on Schedule K-1)	(x) %	(x) %
Subtotal from IRS Form 1065	$	$

Combined subtotal from partnership	$	$

Borrower Name: ______________________

3. Schedule C – Profit or Loss from Business (Sole Proprietorship) (Chapter 5304)		
	(+/-)	(+/-)
ss, or expenses	(+/-)	(+/-)
	(+)	(+)
	(+)	(+)
on	(-)	(-)
	(+)	(+)
	(+)	(+)
ess #1	$	$

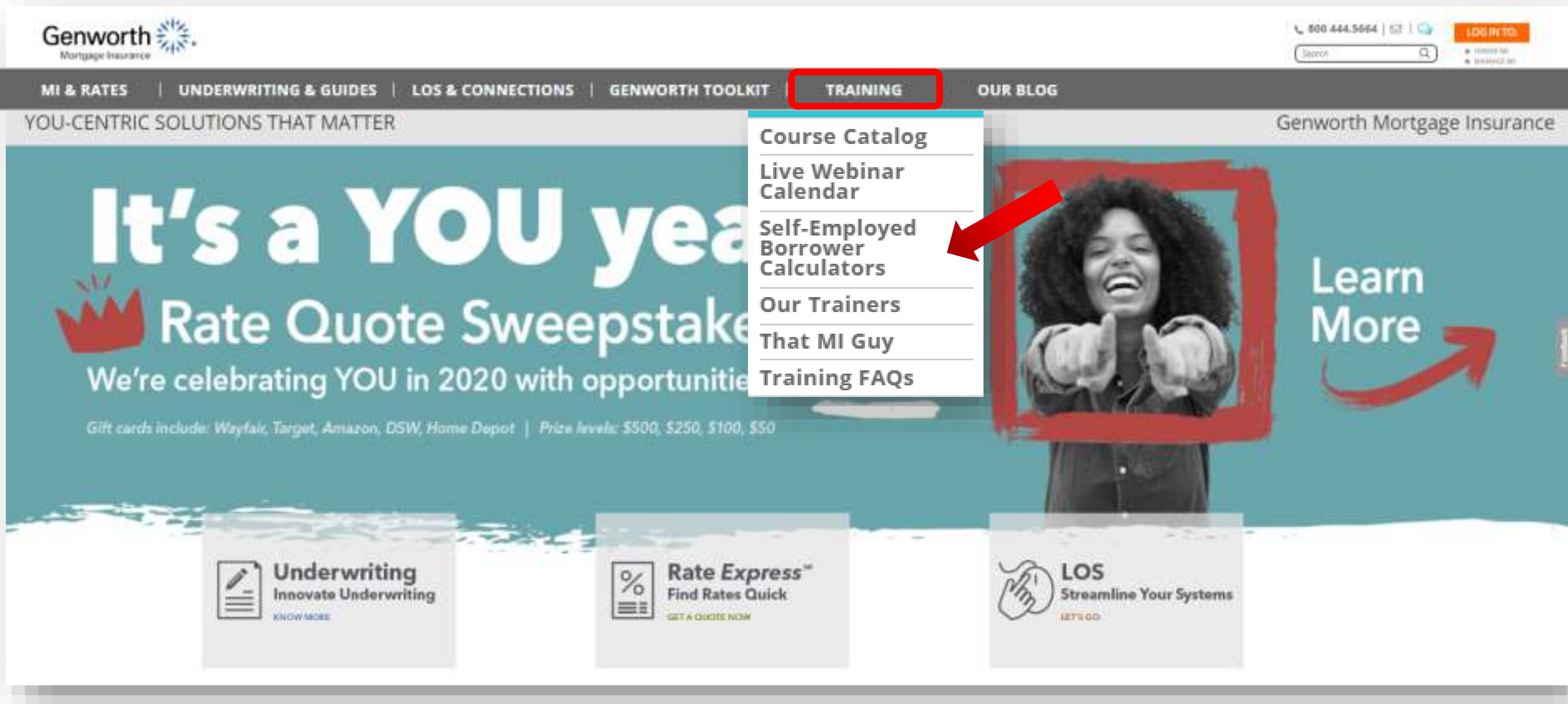
om Business (Sole Proprietorship) (Chapter 5304)		
	(+/-)	(+/-)
ss, or expenses	(+/-)	(+/-)
	(+)	(+)
	(+)	(+)
ion	(-)	(-)
	(+)	(+)
	(+)	(+)
ess #2	$	$

d Losses (Chapter 5305)		
es	(+/-)	(+/-)
Subtotal from Schedule D, capital gains and losses	$	$

http://www.freddiemac.com/singlefamily/forms/sell/pdf/91.pdf

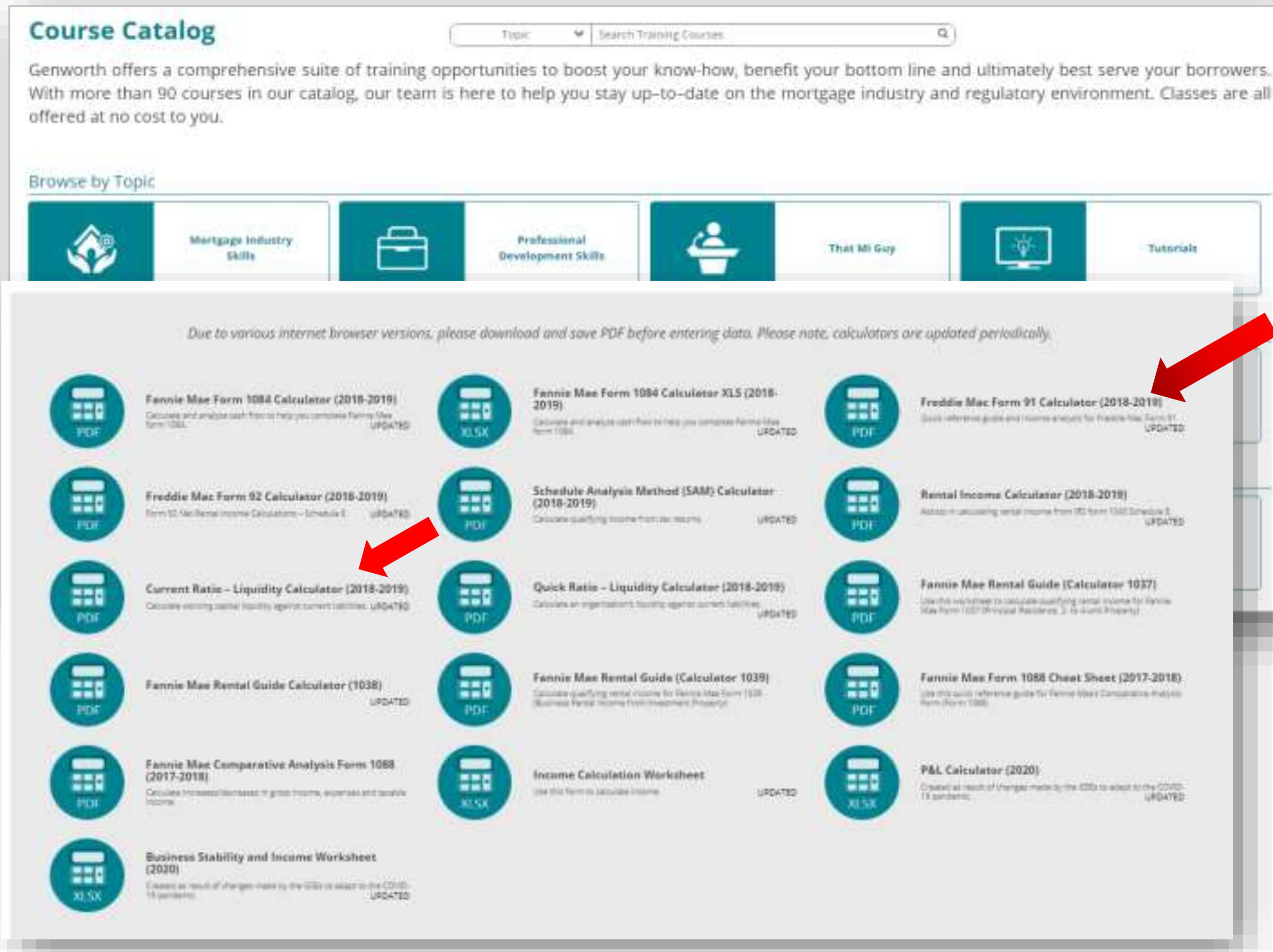
Genworth Has Form 91 And 92 Income Calculation Tools Posted To Website

Training Tools and Information



https://new.mi.genworth.com/

Training Tools and Information



Genworth

For full functionality, download and save PDF first before entering data.
Please download before each calculation as calculators are updated periodically.

Borrower(s) Name(s) | Loan Number

Property Address

Genworth Mortgage Insurance

Calculator and Quick Reference Guide: Form 91 Income Calculations

Please use the following quick reference guide to assist you in completing Freddie Mac Form 91. This form is for suggested guidance and does not replace Freddie Mac instructions or applicable guidelines.

Note: For entries with the marker (+/-) type a '-' for entering a negative amount. Example: -12,345.67

I. Income Calculations from IRS Form 1040

IRS Form 1040 Federal Individual Income Tax Return

1	W-2 Income from self-employment (reported on IRS Forms 1040 and 1120 or 1120S)		2019	2018	NOTES
	Name of Business:				
	W-2 Income, Section 5304.1 (d)[1]	+			[1]Validate with business returns and IRS Form 1125-E, Compensation of Officers, as applicable
	Subtotal of W-2 Income From Self-employment		$0.00	$0.00	

2	Schedule B – Interest and Ordinary Dividends		2019	2018	NOTES
	Recurring interest income (Chapter 5305) *(Line 1)*	+			
	Recurring dividend income (Chapter 5305) *(Line 5)*	+			
	Dividend income from self-employment reported on IRS Form 1120	-			
	Subtotal of Dividends and Interest		$0.00	$0.00	

3	Schedule C – Profit or Loss from Business (Sole Proprietorship) (Chapter 5304)		2019	2018	NOTES
	Name of Business #1:				
	Net profit or loss *(Line 31)*	+/-			
	Non-recurring other income or loss, or expenses *(Line 6)*	+/-			
	Depletion *(Line 12)*	+			
	Depreciation - *See three lines below for additional vehicle depreciation (Line 13)*	+			
	Meals and entertainment exclusion *(Line 24b)*	-			
	Amortization or casualty loss - *Only add back Amort/CL (Review C, Page 2, Part V)*	+			
	Business use of home - *Follow investor credit policy (Line 30, Form 8829 or Simplified Method Worksheet)*	+			
	Business Miles *(Page 2, Part IV, Line 44a or Related 4562, Line 30)*				
	x Depreciation Rate *(2019-26¢ and 2018-25¢)*		$0.26	$0.25	
	= Total Mileage Depreciation	+	$0.00	$0.00	
	Subtotal from Schedule C, Business #1		$0.00	$0.00	

This calculator can be found at https://new.mi.genworth.com/self-employed-borrower-calculators.

When Borrowers Own Multiple Partnerships, S Corps Or Corporations, Complete A Separate Worksheet For Each Business; Complete A Separate Worksheet For Each Borrower

Does Borrower Own ≥ 25% of a Business?

1b. Current Employment/Self Employment and Income ☐ *Does not apply*

Employer or Business Name ______ Phone (___)___–___

Address ______

City ______ State ___ Zip ___

Position or Title ______

Start Date ___/___ *(mm/yyyy)*

How long in this line of work? ___ Years ___ Months

Check if this statement applies:
☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.

☐ **Check if you are the Business Owner or Self-Employed**
○ I have an ownership share of less than 25%.
○ I have an ownership share of 25% or more.

Monthly Income (or Loss)
$ ______

Gross Monthly Income

Base	$ ______	/month
Overtime	$ ______	/month
Bonus	$ ______	/month
Commission	$ ______	/month
Military Entitlements	$ ______	/month
Other	$ ______	/month
TOTAL	$ ______	**/month**

Can checking the Self-employed Indicator to "Yes" increase the risk of the loan when evaluated by Desktop Underwriter® ? What about Loan Product Advisor® ?

Yes

No

Genworth

You'll Need

Genworth

The Case Study

You will be working with John and Mary Homeowner who:

- **Own a Schedule C business called Impressive Images (John)*
- **Have schedule B interest income earned from personal assets*
- **Have capital gain/loss activity reported on a Schedule D*
- **Own an existing rental property shown on a Schedule E*
- Own 95% of an LLC called Rehab Addict (Mary)
  - Reported on a 1065 Partnership Return
  - Mary receives a K-1
- Own 40% of an S Corporation called DaVinci Residential Painting (John)
  - Income reported on 1120S Tax Return
  - Receives a K-1
  - John receives a W-2 Wage from the business (DaVinci Residential Painting)

*Covered in part I

Calculator and Quick Reference Guide

II. Income Calculations from IRS Schedule K-1 and IRS form 1065

8. Partnership Income (Refer to Chapter 5304)
Name of Business: ______________________

II. Income Calculations from IRS Schedule K-1 and IRS form 1065

8. Partnership Income (Refer to Chapter 5304)
Name of Business: ______________________

Partnership – Schedule K-1 (IRS Form 1065)		2019	2018	NOTES
Ordinary business income or loss *(Line 1)*	+/–			
Net rental real estate income or loss *(Lines 2 and 3)* if verified recurring	+/–			
Guaranteed payments *(2019 Line 4c, 2018 Line 4)*	+			
Subtotal from Schedule K-1 (IRS Form 1065)		$ 0.00	$ 0.00	

Subtotal Prior to Application of Ownership Interest Percentage		$ 0.00	$ 0.00	
Multiply by total percentage of ownership (on Schedule K -1)	X			
Subtotal from IRS Form 1065		$ 0.00	$ 0.00	
Combined Total from Partnership		$ 0.00	$ 0.00	

In Case Study Part I We Completed Sections 1-7 With The Personal Tax Returns

Business Classifications

Partnership (General or Limited)

- Two or more Partners
- Business Income reported on Form 1065
- Personal Income reported on Schedule E and K-1
- Income taxed at Personal Rate
- All owners are issued a K-1s which are attached to the business tax return (IRS Form 1065)

Advantages

- Taxed at Personal Rate (Partnership pays no Tax on Income)
- Limited Partnership - Only liable for amount invested

Disadvantages

- General Partnerships have Unlimited Personal Liability for Partnership Debts and Losses

1065 Partnership

Line 22 Ordinary Income/Loss
$__________

K-1

%

Line 1 Ordinary Income/Loss
$__________

Schedule E page 2

Part II

1040 or Schedule 1

Line 5 or (2018)17 Net

Income/Loss Sch E

Taxed at a personal rate

$__________

Genworth

Partnerships

Check for trends or changes

- Date business started
- Gross Receipts
- Cost of Good Sold
- Gross Profit
- Bottom line “Ordinary Income”
- Guaranteed Payments
  - Payments “paid out” to all partners, review the K-1 to see how much was paid to your partner

Page 22

Form **1065** Department of the Treasury Internal Revenue Service

U.S. Return of Partnership Income

For calendar year 2019, or tax year beginning ________, 2019, ending ________, 20__.

▶ Go to *www.irs.gov/Form1065* for instructions and the latest information.

OMB No. 1545-0123 | 2019

A Principal business activity: Construction	Name of partnership: Rehab Addict LLC	D Employer identification number: 46-1234567
B Principal product or service: Construction	Number, street, and room or suite no. If a P.O. box, see instructions.: 334566 103rd Street	E Date business started: 11/30/2012
C Business code number: 123456	City or town, state or province, country, and ZIP or foreign postal code: Dallas, TX 75432	F Total assets (see instructions): $ 0

Type or Print

G Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return

H Check accounting method: (1) ☑ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶

I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ 2

J Check if Schedules C and M-3 are attached ▶ ☐

K Check if partnership: (1) ☐ Aggregated activities for section 465 at-risk purposes (2) ☐ Grouped activities for section 469 passive activity purposes

Caution: Include **only** trade or business income and expenses on lines 1a through 22 below. See instructions for more information.

Income	1a	Gross receipts or sales	1a	1,448,794		
	b	Returns and allowances	1b			
	c	Balance. Subtract line 1b from line 1a			1c	1,448,794
	2	Cost of goods sold (attach Form 1125-A)			2	0
	3	Gross profit. Subtract line 2 from line 1c			3	1,448,794
	4	Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)			4	
	5	Net farm profit (loss) (attach Schedule F (Form 1040 or 1040-SR))			5	
	6	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)			6	
	7	Other income (loss) (attach statement)			7	
	8	**Total income (loss).** Combine lines 3 through 7			8	1,448,794
Deductions (see instructions for limitations)	9	Salaries and wages (other than to partners) (less employment credits)			9	411,899
	10	Guaranteed payments to partners			10	
	11	Repairs and maintenance			11	
	12	Bad debts			12	
	13	Rent			13	8,961
	14	Taxes and licenses			14	92,582
	15	Interest (see instructions)			15	
	16a	Depreciation (if required, attach Form 4562)	16a			
	b	Less depreciation reported on Form 1125-A and elsewhere on return	16b		16c	
	17	Depletion **(Do not deduct oil and gas depletion.)**			17	
	18	Retirement plans, etc.			18	51,148
	19	Employee benefit programs			19	8,529
	20	Other deductions (attach statement)			20	ste #2 779,644
	21	**Total deductions.** Add the amounts shown in the far right column for lines 9 through 20			21	1,352,762
	22	**Ordinary business income (loss).** Subtract line 21 from line 8			22	96,032
Tax and Payment	23	Interest due under the look-back method—completed long-term contracts (attach Form 8697)			23	
	24	Interest due under the look-back method—income forecast method (attach Form 8866)			24	
	25	BBA AAR imputed underpayment (see instructions)			25	
	26	Other taxes (see instructions)			26	
	27	**Total balance due.** Add lines 23 through 26			27	
	28	Payment (see instructions)			28	
	29	**Amount owed.** If line 28 is smaller than line 27, enter amount owed			29	
	30	**Overpayment.** If line 28 is larger than line 27, enter overpayment			30	

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than partner or limited liability company member) is based on all information of which preparer has any knowledge.

▶ Signature of partner or limited liability company member ▶ Date

May the IRS discuss this return with the preparer shown below? See instructions. ☑ Yes ☐ No

Paid Preparer Use Only

Print/Type preparer's name: Amy Accountant	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶ Accountants & Daughters LLC			Firm's EIN ▶ 98765	
Firm's address ▶ 100 Main st, Waco, TX 76701			Phone no.	

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11390Z Form **1065** (2019)

22

Genworth

1065 Partnership

Line 22 Ordinary Income/Loss

$___________

K-1

%

Line 1 Ordinary Income/Loss

$___________

Schedule E page 2

Part II

Schedule 1

Line 5 or 17(2018) Net

Income/Loss Sch E

Taxed at a personal rate

$___________

Partnership K-1

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	95 %	95 %
Loss	95 %	95 %
Capital	95 %	95 %

Check if decrease is due to sale or exchange of partnership interest . . ☐

Page 20

651119

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0123

Schedule K-1 (Form 1065) **2019**

Department of the Treasury
Internal Revenue Service

For calendar year 2019, or tax year beginning / / 2019 ending / /

Partner's Share of Income, Deductions, Credits, etc. ▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 46-123456

B Partnership's name, address, city, state, and ZIP code
Rehab Addict LLC
334566 103rd Street
Dallas, TX 75432

C IRS Center where partnership filed return ▶ efile

D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See inst.) XXX-XX-XXXX

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
Mary Homeowner
7 Galloping Hill Road Dallas, TX 75432

G ☒ General partner or LLC member-manager ☐ Limited partner or other LLC member

H1 ☒ Domestic partner ☐ Foreign partner

H2 ☐ If the partner is a disregarded entity (DE), enter the partner's: TIN Name

I1 What type of entity is this partner? Individual

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	95 %	95 %
Loss	95 %	95 %
Capital	95 %	95 %

Check if decrease is due to sale or exchange of partnership interest ☐

K Partner's share of liabilities:

	Beginning	Ending
Nonrecourse	$	$
Qualified nonrecourse financing	$	$
Recourse	$	$

☐ Check this box if Item K includes liability amounts from lower tier partnerships.

L **Partner's Capital Account Analysis**

Beginning capital account	$ 0
Capital contributed during the year	$ 56,050
Current year net income (loss)	$
Other increase (decrease) (attach explanation)	$
Withdrawals & distributions	$ ( )
Ending capital account	$ 56,050

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No If "Yes," attach statement. See instructions.

N **Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)**
Beginning $
Ending $

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	91,230
2	Net rental real estate income (loss)	
3	Other net rental income (loss)	
4a	Guaranteed payments for services	
4b	Guaranteed payments for capital	
4c	Total guaranteed payments	
5	Interest income	
6a	Ordinary dividends	
6b	Qualified dividends	
6c	Dividend equivalents	
7	Royalties	
8	Net short-term capital gain (loss)	
9a	Net long-term capital gain (loss)	
9b	Collectibles (28%) gain (loss)	
9c	Unrecaptured section 1250 gain	
10	Net section 1231 gain (loss)	
11	Other income (loss)	
12	Section 179 deduction	
13	Other deductions	A 23,750
14	Self-employment earnings (loss)	A 91,230; C 1,376,354
15	Credits	
16	Foreign transactions	
17	Alternative minimum tax (AMT) items	
18	Tax-exempt income and nondeductible expenses	
19	Distributions	
20	Other information	

21 ☐ More than one activity for at-risk purposes*
22 ☐ More than one activity for passive activity purposes*
*See attached statement for additional information.

For IRS Use Only

For Paperwork Reduction Act Notice, see Instructions for Form 1065. www.irs.gov/Form1065 Cat. No. 11394R Schedule K-1 (Form 1065) 2019

20

Genworth

Rental Income – Partnership or S Corps

Form **8825** (Rev. November 2018) Department of the Treasury Internal Revenue Service

Rental Real Estate Income and Expenses of a Partnership or an S Corporation
▶ Attach to Form 1065 or Form 1120S.
▶ Go to *www.irs.gov/Form8825* for the latest information.

OMB No. 1545-0123

Name | **Employer identification number**

1 Show the type and address of each property. For each rental real estate property listed, report the number of days rented at fair rental value and days with personal use. See instructions. See page 2 to list additional properties.

	Physical address of each property—street, city, state, ZIP code	Type—Enter code 1–8; see page 2 for list	Fair Rental Days	Personal Use Days
A				
B				
C				
D				

		Properties			
Rental Real Estate Income		A	B	C	D
2 Gross rents	2				
Rental Real Estate Expenses					
3 Advertising	3				
4 Auto and travel	4				
5 Cleaning and maintenance	5				
6 Commissions	6				
7 Insurance	7				
8 Legal and other professional fees	8				
9 Interest (see instructions)	9				
10 Repairs	10				
11 Taxes	11				
12 Utilities	12				
13 Wages and salaries	13				
14 Depreciation (see instructions)	14				
15 Other (list) ▶	15				
16 Total expenses for each property. Add lines 3 through 15	16				
17 Income or (loss) from each property. Subtract line 16 from line 2	17				

18a Total gross rents. Add gross rents from line 2, columns A through H	18a	
b Total expenses. Add total expenses from line 16, columns A through H	18b	( )
19 Net gain (loss) from Form 4797, Part II, line 17, from the disposition of property from rental real estate activities	19	
20a Net income (loss) from rental real estate activities from partnerships, estates, and trusts in which this partnership or S corporation is a partner or beneficiary (from Schedule K-1)	20a	
b Identify below the partnerships, estates, or trusts from which net income (loss) is shown on line 20a. Attach a schedule if more space is needed.		
(1) Name — **(2)** Employer identification number		
21 Net rental real estate income (loss). Combine lines 18a through 20a. Enter the result here and on: • **Form 1065 or 1120S:** Schedule K, line 2	21	

For Paperwork Reduction Act Notice, see instructions. Cat. No. 10136Z Form **8825** (Rev. 11-2018)

No Example

Partnership K-1

651119

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0123

Schedule K-1 (Form 1065) **2019**

Department of the Treasury
Internal Revenue Service

For calendar year 2019, or tax year

beginning / / 2019 ending / /

Partner's Share of Income, Deductions, Credits, etc. ▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
46-123456

B Partnership's name, address, city, state, and ZIP code
Rehab Addict LLC
334566 103rd Street
Dallas, TX 75432

C IRS Center where partnership filed return ▶ efile

D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See inst.)
XXX-XX-XXXX

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
Mary Homeowner
7 Galloping Hill Road Dallas, TX 75432

G ☒ General partner or LLC member-manager ☐ Limited partner or other LLC member

H1 ☒ Domestic partner ☐ Foreign partner

H2 ☐ If the partner is a disregarded entity (DE), enter the partner's:
TIN Name

I1 What type of entity is this partner? Individual

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	95 %	95 %
Loss	95 %	95 %
Capital	95 %	95 %

Check if decrease is due to sale or exchange of partnership interest . . ☐

K Partner's share of liabilities:

	Beginning	Ending
Nonrecourse . . .	$	$
Qualified nonrecourse financing . . .	$	$
Recourse . . .	$	$

☐ Check this box if Item K includes liability amounts from lower tier partnerships.

L **Partner's Capital Account Analysis**

Beginning capital account . . .	$ 0
Capital contributed during the year . .	$ 56,050
Current year net income (loss) . . .	$
Other increase (decrease) (attach explanation)	$
Withdrawals & distributions . . .	$ ( )
Ending capital account . . .	$ 56,050

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No If "Yes," attach statement. See instructions.

N **Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)**
Beginning . . . . $
Ending . . . . $

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss) 91,230	15	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4a	Guaranteed payments for services		
4b	Guaranteed payments for capital		
4c	Total guaranteed payments		
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends		
6c	Dividend equivalents	17	Alternative minimum tax (AMT) items
7	Royalties		
8	Net short-term capital gain (loss)		
9a	Net long-term capital gain (loss)	18	Tax-exempt income and nondeductible expenses
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	19	Distributions
11	Other income (loss)		
		20	Other information
12	Section 179 deduction		
13	Other deductions A 23,750		
14	Self-employment earnings (loss) A 91,230 C 1,376,354		
21	☐ More than one activity for at-risk purposes*		
22	☐ More than one activity for passive activity purposes*		

*See attached statement for additional information.

For IRS Use Only

For Paperwork Reduction Act Notice, see Instructions for Form 1065. www.irs.gov/Form1065 Cat. No. 11394R Schedule K-1 (Form 1065) 2019

20

Page 20

Genworth

1065 Partnership

Line 22 Ordinary Income/Loss

$__________

K-1

%

Line 1 Ordinary Income/Loss

$__________

Schedule E page 2

Part II

Schedule 1

Line 5 or 17(2018) Net

Income/Loss Sch E

Taxed at a personal rate

$__________

Schedule E Partnerships and S Corps

Schedule E (Form 1040 or 1040-SR) 2019 Attachment Sequence No. **13** Page **2**

Name(s) shown on return. Do not enter name and social security number if shown on other side.	**Your social security number**
John & Mary Homeowner	XXX-XX-XXXX

Caution: The IRS compares amounts reported on your tax return with amounts shown on Schedule(s) K-1.

Part II **Income or Loss From Partnerships and S Corporations** – **Note:** If you report a loss, receive a distribution, dispose of stock, or receive a loan repayment from an S corporation, you **must** check the box in column **(e)** on line 28 and attach the required basis computation. If you report a loss from an at-risk activity for which **any** amount is **not** at risk, you **must** check the box in column **(f)** on line 28 and attach **Form 6198** (see instructions).

27 Are you reporting any loss not allowed in a prior year due to the at-risk or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? If you answered "Yes," see instructions before completing this section . . . ☐ **Yes** ☒ **No**

28	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if basis computation is required	(f) Check if any amount is not at risk
A	Rehab Addict LLC	P	☐	46-1234567	☐	☐
B	DaVinci Residential Painting Inc.	S	☐	22-1234567	☐	☐
C			☐		☐	☐
D			☐		☐	☐

	Passive Income and Loss		Nonpassive Income and Loss		
	(g) Passive loss allowed (attach **Form 8582** if required)	(h) Passive income from **Schedule K-1**	(i) Nonpassive loss allowed (see **Schedule K-1**)	(j) Section 179 expense deduction from **Form 4562**	(k) Nonpassive income from **Schedule K-1**
A					91,230.
B				14,189.	132,588.
C					
D					
29a Totals					223,818.
b Totals				14,189.	

30	Add columns (h) and (k) of line 29a. . . .	30	223,818.
31	Add columns (g), (i), and (j) of line 29b. . . .	31	(14,189.)
32	**Total partnership and S corporation income or (loss).** Combine lines 30 and 31 . . .	32	209,629.

Page 14

Genworth

1065 Partnership

Line 22 Ordinary Income/Loss

$__________

K-1

%

Line 1 Ordinary Income/Loss

$__________

Schedule E page 2

Part II

Schedule 1

Line 5 or 17(2018) Net

Income/Loss Sch E

Taxed at a personal rate

$__________

SCHEDULE 1 (Form 1040 or 1040-SR)
Department of the Treasury Internal Revenue Service

Additional Income and Adjustments to Income

▶ Attach to Form 1040 or 1040-SR.
▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074 | 2019 | Attachment Sequence No. 01

Name(s) shown on Form 1040 or 1040-SR: John & Mary Homeowner
Your social security number: XXX-XX-XXXX

At any time during 2019, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? ☐ Yes ☒ No

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions) ▶		
3	Business income or (loss). Attach Schedule C	3	77,770.
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	209,629.
6	Farm income or (loss). Attach Schedule F	6	
7			
8			
9	Combine lines 1 through 8. Enter here and on Form 1040 or 1040-SR, line 7a	9	287,399.

5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	209,629.

Part II Adjustments to Income

10	Educator expenses	10	
11	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	11	
12	Health savings account deduction. Attach Form 8889	12	
13	Moving expenses for members of the Armed Forces. Attach Form 3903	13	
14	Deductible part of self-employment tax. Attach Schedule SE	14	7,487.
15	Self-employed SEP, SIMPLE, and qualified plans	15	
16	Self-employed health insurance deduction	16	
17	Penalty on early withdrawal of savings	17	
18a	Alimony paid	18a	
b	Recipient's SSN ▶		
c	Date of original divorce or separation agreement (see instructions) ▶		
19	IRA deduction	19	
20	Student loan interest deduction	20	
21	Tuition and fees. Attach Form 8917	21	
22	Add lines 10 through 21. These are your **adjustments to income**. Enter here and on Form 1040 or 1040-SR, line 8a	22	7,487.

For Paperwork Reduction Act Notice, see your tax return instructions. REV 02/23/20 TTW **Schedule 1 (Form 1040 or 1040-SR) 2019**

...ervice (99) ...ax Return | 2019 | OMB No. 1545-0074 | IRS Use Only—Do not write or staple in this space.

☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)
...e of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is

Last name: Homeowner — Your social security number: XXX-XX-XXXX
Last name: Homeowner — Spouse's social security number: XXX-XX-XXXX
Apt. no.

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse

...oreign address, also complete spaces below (see instructions).
Foreign province/state/county | Foreign postal code | If more than four dependents, see instructions and ✓ here ▶ ☐

...dent ☐ Your spouse as a dependent
...r you were a dual-status alien
...55 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1955 ☐ Is blind

(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see instructions): Child tax credit	Credit for other dependents
		☐	☐
		☐	☐
		☐	☐
		☐	☐

1	...m(s) W-2	1	172,579.
2a	b Taxable interest. Attach Sch. B if required	2b	1,987.
3a	b Ordinary dividends. Attach Sch. B if required	3b	
4a	b Taxable amount	4b	
4c	d Taxable amount	4d	
5a	b Taxable amount	5b	
6	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐	6	-3,000.
7a	Other income from Schedule 1, line 9	7a	287,399.
b	Add lines 1, 2b, 3b, 4b, 4d, 5b, 6, and 7a. This is your **total income** ▶	7b	458,965.
8a	Adjustments to income from Schedule 1, line 22	8a	7,487.
b	Subtract line 8a from line 7b. This is your **adjusted gross income** ▶	8b	451,478.
9	**Standard deduction or itemized deductions** (from Schedule A) — 9: 63,332.		
10	Qualified business income deduction. Attach Form 8995 or Form 8995-A — 10: 28,523.		
11a	Add lines 9 and 10	11a	91,855.
b	**Taxable income.** Subtract line 11a from line 8b. If zero or less, enter -0-	11b	359,623.

• Married filing jointly or Qualifying widow(er), $24,400
• Head of household, $18,350
• If you checked any box under *Standard Deduction*, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Form **1040** (2019)

Page 4 and 7

Freddie Mac Does Not Have a Written Policy Mandating Distributions

Business review and analysis:

The Seller's analysis of the business must support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the Borrower.

- The analysis must include a review of the business tax returns
- The Seller's review must include, at a minimum, an analysis of gross receipts or sales, cost of goods sold and gross profits. All should be typical for the type of business and reflect consistent year over year trends. In addition, the business expenses should be reasonable for the type of business activity and level of business income. Business tenure should be considered.
- The Seller may determine that review and analysis of the business financial statements, business asset statements, and in the case of Partnerships and S corporations, an analysis of the historical cash distributions, is necessary to establish the financial and liquidity standing of the business. In addition, the Seller may calculate and consider the liquidity ratios of the business using generally accepted accounting practices when analyzing the liquidity of the business.

[2]The Seller must determine that the *total stable monthly income* meets the requirements and guidance for the determination of stable monthly income in Topic 5300. This includes, but is not limited to, business review and analysis requirements (Section 5304.1(d)) to support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the Borrower.

https://guide.freddiemac.com/app/guide/content/a_id/1000657

Genworth

Balance Sheet

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
	Assets	(a)	(b)	(c)	(d)
1	Cash				59,000
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities				
6	Other current assets (attach statement)				
7a	Loans to partners (or persons related to partners)				
b	Mortgage and real estate loans				
8	Other investments (attach statement)				
9a	Buildings and other depreciable assets				
b	Less accumulated depreciation				
10a	Depletable assets				
b	Less accumulated depletion				
11	Land (net of any amortization)				
12a	Intangible assets (amortizable only)				
b	Less accumulated amortization				
13	Other assets (attach statement)				
14	Total assets				59,000
	Liabilities and Capital				
15	Accounts payable				
16	Mortgages, notes, bonds payable in less than 1 year				
17	Other current liabilities (attach statement)				
18	All nonrecourse loans				
19a	Loans from partners (or persons related to partners)				
b	Mortgages, notes, bonds payable in 1 year or more				
20	Other liabilities (attach statement)				
21	Partners' capital accounts				59,000
22	Total liabilities and capital				59,000

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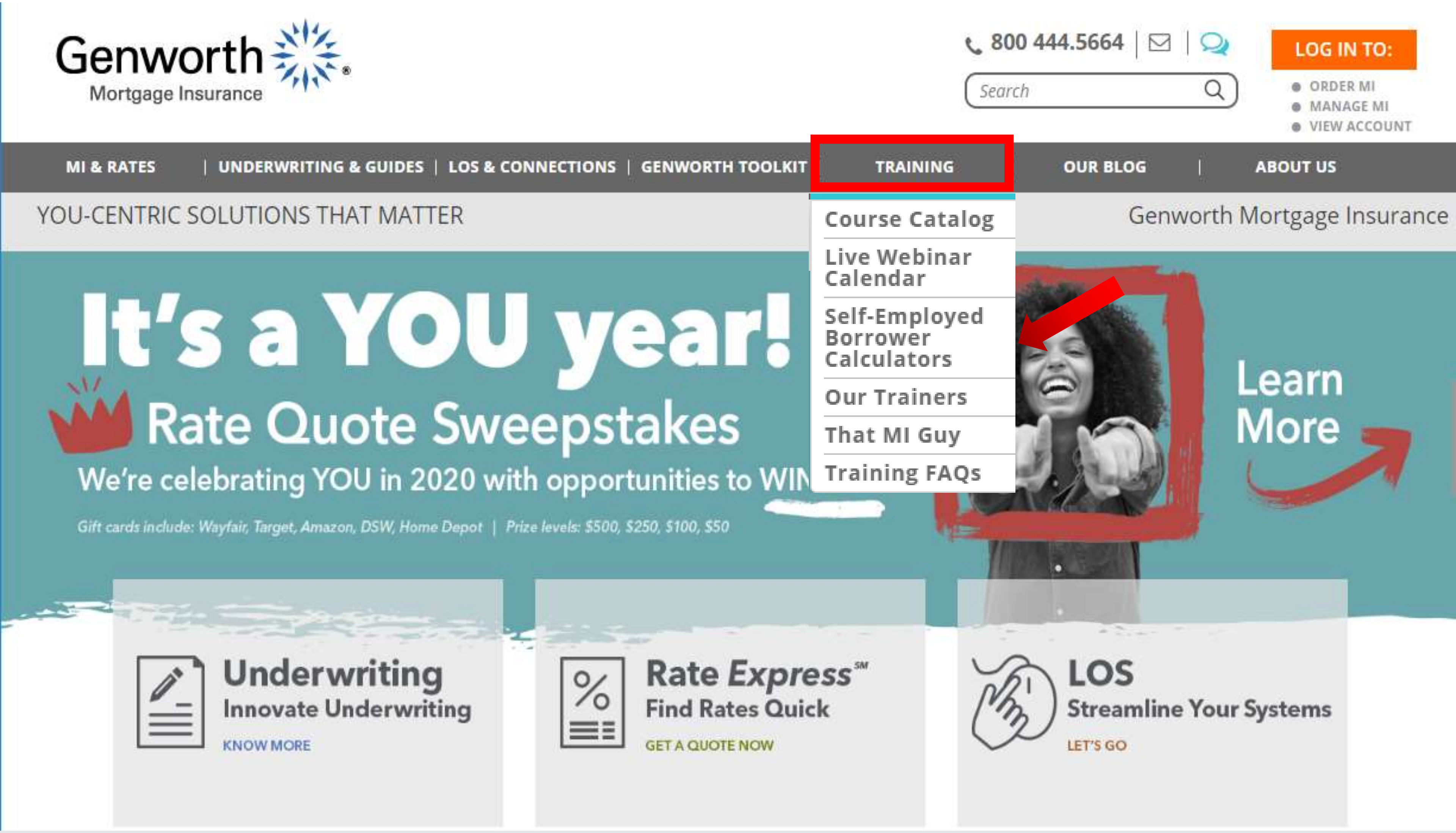
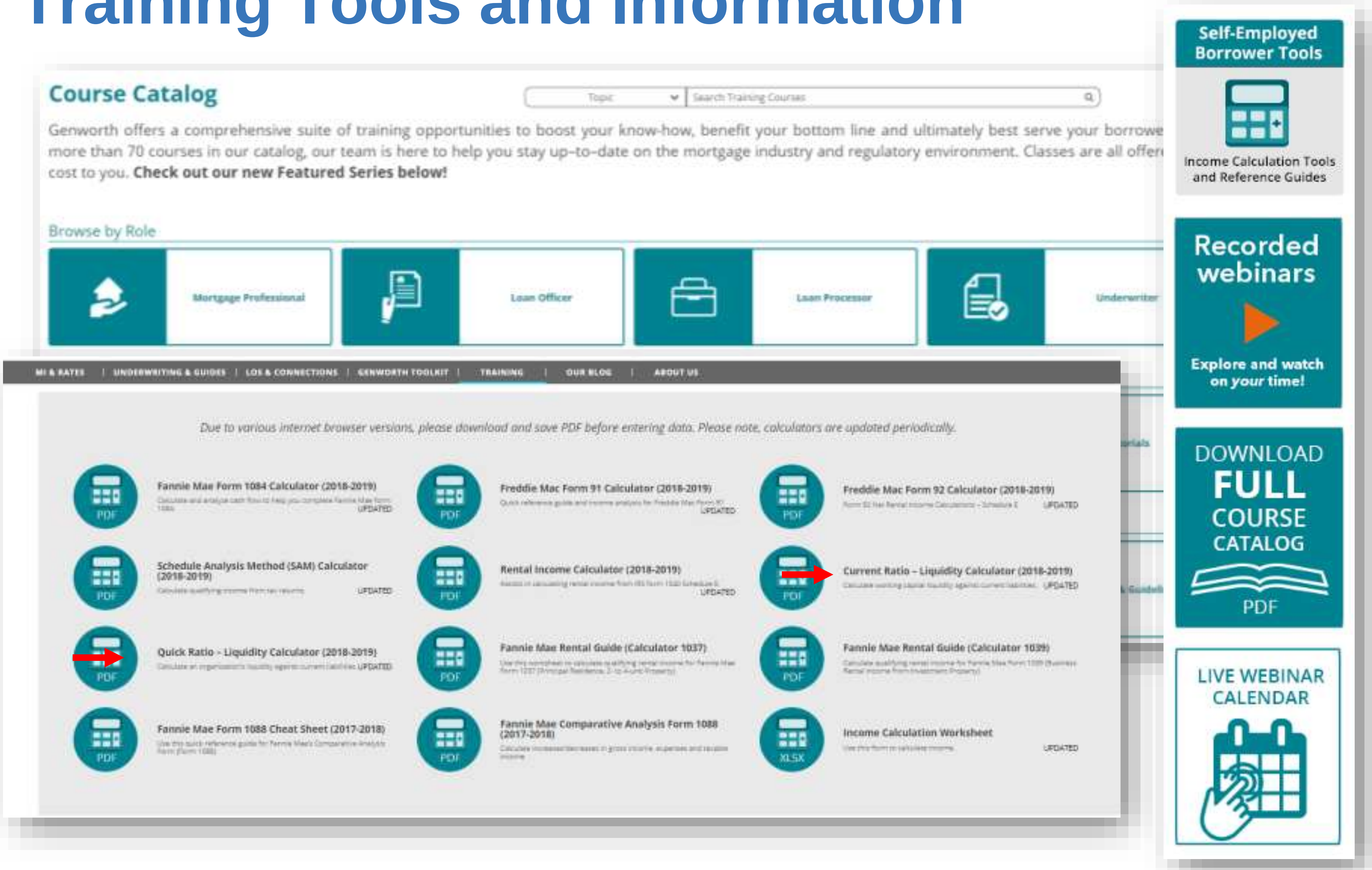
Training Tools and Information



Training Tools and Information



Genworth

Liquidity

Generally Accepted Accounting Principles

For full functionality, download PDF first before entering data. Please download before each calculation as calculators are updated periodically.

Borrower(s) Name(s)

Loan Number

Property Address

Genworth
Mortgage Insurance

Calculator and Quick Reference Guide: Liquidity (Acid Test or Quick Ratio)

Please use the following calculator and quick reference guide to assist you in evaluating liquidity from business returns. It provides suggested guidance only and does not replace Lender, Investor or GSE instructions or applicable guidelines. Please note all lines referenced below are from the applicable business return's Schedule L. If a Partnership did not complete a Schedule L (check Form 1065, Schedule B, Question 6 to verify one was not required), you cannot calculate liquidity from the tax form.

	Liquidity (Acid Test or Quick Ratio)	2019	2018
1	Cash *(P/Tship, S-C and Corp: Line 1d)*		
2	Tradenotes/Accounts Receivable Without Bad Debt *(P/Tship, S-C and Corp: Line 2b[d])*		
3	US Government Obligations and/or Tax-Exempt Securities *(Lines 4 and 5)**		
4	Other Current Assets *(Other Marketable Securities; P/Tship, S-C and Corp: Line 6d)**		
5	Accounts Payable *(P/Tship: Line 15d, S-C or Corp: Line 16d)*		
6	Mortgages, Notes or Bonds Payable in Less Than 1 Year *(P/Tship: Line 16d, S-C or Corp: Line 17d)*		
7	Other Current Liabilities *(P/Tship: Line 17d, S-C or Corp: Line 18d)*		
	Acid Test Ratio A result of one or greater is generally sufficient to confirm adequate business liquidity to support the withdrawal of earnings.	*0.00* *0.00*	*0.00* *0.00*

*Check your lender/investor policy on whether to include Government Obligations, Tax-Exempt Securities and/or Other Marketable Securities.

Click gray buttons to calculate result.
Please note: If Lines 5, 6 and 7 total zero, the calculator will show an error message, but the business is solvent.

Balance Sheet

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
	Assets	(a)	(b)	(c)	(d)
1	Cash				59,000
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities				
6	Other current assets (attach statement)				
7a	Loans to partners (or persons related to partners)				
b	Mortgage and real estate loans				
8	Other investments (attach statement)				
9a	Buildings and other depreciable assets				
b	Less accumulated depreciation				
10a	Depletable assets				
b	Less accumulated depletion				
11	Land (net of any amortization)				
12a	Intangible assets (amortizable only)				
b	Less accumulated amortization				
13	Other assets (attach statement)				
14	Total assets				59,000
	Liabilities and Capital				
15	Accounts payable				
16	Mortgages, notes, bonds payable in less than 1 year				
17	Other current liabilities (attach statement)				
18	All nonrecourse loans				
19a	Loans from partners (or persons related to partners)				
b	Mortgages, notes, bonds payable in 1 year or more				
20	Other liabilities (attach statement)				
21	Partners' capital accounts				59,000
22	Total liabilities and capital				59,000

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Liquidity – Current Ratio

Generally Accepted Accounting Principles

For full functionality, download PDF first before entering data. Please download before each calculation as calculators are updated periodically.

Borrower(s) Name(s)

Loan Number

Property Address

Genworth
Mortgage Insurance

Calculator and Quick Reference Guide: Liquidity (Current or Working Capital Ratio)

Please use the following calculator and quick reference guide to assist you in evaluating liquidity from business returns. It provides suggested guidance only and does not replace Lender, Investor or GSE instructions or applicable guidelines. Please note all lines referenced below are from the applicable business return's Schedule L. If a Partnership did not complete a Schedule L (check Form 1065, Schedule B, Question 6 to verify one was not required), you cannot calculate liquidity from the tax form.

	Liquidity (Current or Working Capital Ratio)	2019	2018
1	Cash *(P/Tship, S-C and Corp: Line 1d)*		
2	Tradenotes/Accounts Receivable Without Bad Debt *(P/Tship, S-C and Corp: Line 2b[d])*		
3	Inventories *(Line 3)*		
4	US Government Obligations and/or Tax-Exempt Securities *(Lines 4 and 5)**		
5	Other Current Assets *(Other Marketable Securities; P/Tship, S-C and Corp: Line 6d)**		
6	Accounts Payable *(P/Tship: Line 15d, S-C or Corp: Line 16d)*		
7	Mortgages, Notes or Bonds Payable in Less Than 1 Year *(P/Tship: Line 16d, S-C or Corp: Line 17d)*		
8	Other Current Liabilities *(P/Tship: Line 17d, S-C or Corp: Line 18d)*		
	Current Ratio A result of one or greater is generally sufficient to confirm adequate business liquidity to support the withdrawal of earnings.	0.00 0.00	0.00 0.00

*Check your lender/investor policy on whether to include Government Obligations, Tax-Exempt Securities and/or Other Marketable Securities.

Click gray buttons to calculate result.
Please note: If Lines 6, 7 and 8 total zero, the calculator will show an error message, but the business is solvent.

Genworth

Balance Sheet

Quick Ratio or Acid Test

Current Assets : (Cash #1 + Acct Receivable #2 + #4+ #5 +Other Current Assets #6)

Current Liabilities: (Acct Pay. #15 + MNB #16 + Other Current Liabilities #17)

Schedule L Balance Sheets per Books	Beginning of tax year		End of tax year	
Assets	(a)	(b)	(c)	(d)
1 Cash				59,000
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets (attach statement)				

Liabilities and Capital	(a)	(b)	(c)	(d)
15 Accounts payable				
16 Mortgages, notes, bonds payable in less than 1 year				
17 Other current liabilities (attach statement)				

Current Assets: **$59,000 + 0 + 0 +0+0 = $59,000**

Current Liabilities: **$0 + $0+ $0 = $0**

= $59,000/1

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Liquidity – Quick Ratio

Generally Accepted Accounting Principles

Calculator and Quick Reference Guide: Liquidity (Acid Test or Quick Ratio)

Please use the following calculator and quick reference guide to assist you in evaluating liquidity from business returns. It provides suggested guidance only and does not replace Lender, Investor or GSE instructions or applicable guidelines. Please note all lines referenced below are from the applicable business return's Schedule L. If a Partnership did not complete a Schedule L (check Form 1065, Schedule B, Question 6 to verify one was not required), you cannot calculate liquidity from the tax form.

	Liquidity (Acid Test or Quick Ratio)	2019	2018
1	Cash *(P/Tship, S-C and Corp: Line 1d)*	$ 59,000.00	
2	Tradenotes/Accounts Receivable Without Bad Debt *(P/Tship, S-C and Corp: Line 2b[d])*		
3	US Government Obligations and/or Tax-Exempt Securities *(Lines 4 and 5)**		
4	Other Current Assets *(Other Marketable Securities; P/Tship, S-C and Corp: Line 6d)**		
5	Accounts Payable *(P/Tship: Line 15d, S-C or Corp: Line 16d)*	$ 1.00	
6	Mortgages, Notes or Bonds Payable in Less Than 1 Year *(P/Tship: Line 16d, S-C or Corp: Line 17d)*		
7	Other Current Liabilities *(P/Tship: Line 17d, S-C or Corp: Line 18d)*		
	Acid Test Ratio A result of one or greater is generally sufficient to confirm adequate business liquidity to support the withdrawal of earnings.	59,000.00 / 1.00 = 59,00	0.00 / 0.00

*Check your lender/investor policy on whether to include Government Obligations, Tax-Exempt Securities and/or Other Marketable Securities.

Click gray buttons to calculate result.
Please note: If Lines 5, 6 and 7 total zero, the calculator will show an error message, but the business is solvent.

We entered $1 for liabilities to be able to get a result from the calculator

Quick Reference Guide

Access:

- Freddie Mac Form Section 8
- The Partnership K-1
- Always evaluate the income as required by your investor

651119

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0123

Schedule K-1 (Form 1065) 2019
Department of the Treasury
Internal Revenue Service

For calendar year 2019, or tax year
beginning / / 2019 ending / /

Partner's Share of Income, Deductions, Credits, etc. ► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
46-123456

B Partnership's name, address, city, state, and ZIP code
Rehab Addict LLC
334566 103rd Street
Dallas, TX 75432

C IRS Center where partnership filed return ► efile

D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See inst.)
XXX-XX-XXXX

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
Mary Homeowner
7 Galloping Hill Road Dallas, TX 75432

G ☒ General partner or LLC member-manager ☐ Limited partner or other LLC member

H1 ☒ Domestic partner ☐ Foreign partner

H2 ☐ If the partner is a disregarded entity (DE), enter the partner's:
TIN Name

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1 Ordinary business income (loss) 91,230
2 Net rental real estate income (loss)
3 Other net rental income (loss)
4a Guaranteed payments for services
4b Guaranteed payments for capital
4c Total guaranteed payments
5 Interest income
6a Ordinary dividends
6b Qualified dividends
6c Dividend equivalents
7 Royalties
8 Net short-term capital gain (loss)
9a Net long-term capital gain (loss)
9b Collectibles (28%) gain (loss)
15 Credits
16 Foreign transactions
17 Alternative minimum tax (AMT) items
18 Tax-exempt income and nondeductible expenses

Beginning . . . . $
Ending . . . . $

For IRS Use Only

For Paperwork Reduction Act Notice, see Instructions for Form 1065. www.irs.gov/Form1065 Cat. No. 11394R Schedule K-1 (Form 1065) 2019

20

II. Income Calculations from IRS Schedule K-1 and IRS form 1065

8. Partnership Income (Refer to Chapter 5304)

Name of Business: ______________________

Partnership – Schedule K-1 (IRS Form 1065)		2019	2018	NOTES
Ordinary business income or loss *(Line 1)*	+/-			
Net rental real estate income or loss *(Lines 2 and 3)* if verified recurring	+/-			
Guaranteed payments *(2019 Line 4c, 2018 Line 4)*	+			
Subtotal from Schedule K-1 (IRS Form 1065)		$ 0.00	$ 0.00	

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Partnership K-1

2019
$ 59,000.00
$ 1.00
59,000.00 59,0C
1.00

1	Ordinary business income (loss)
	91,230

19	Distributions

651119

Schedule K-1 (Form 1065) **2019**
Department of the Treasury
Internal Revenue Service

For calendar year 2019, or tax year beginning / / 2019 ending / /

Partner's Share of Income, Deductions, Credits, etc. ► See back of form and separate instructions.

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0123

Part I Information About the Partnership

A Partnership's employer identification number
46-123456

B Partnership's name, address, city, state, and ZIP code
Rehab Addict LLC
334566 103rd Street
Dallas, TX 75432

C IRS Center where partnership filed return ► efile

D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See inst.)
XXX-XX-XXXX

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
Mary Homeowner
7 Galloping Hill Road Dallas, TX 75432

G ☒ General partner or LLC member-manager ☐ Limited partner or other LLC member

H1 ☒ Domestic partner ☐ Foreign partner

H2 ☐ If the partner is a disregarded entity (DE), enter the partner's:
TIN ______ Name ______

I1 What type of entity is this partner? Individual

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	95 %	95 %
Loss	95 %	95 %
Capital	95 %	95 %

Check if decrease is due to sale or exchange of partnership interest . . ☐

K Partner's share of liabilities:

	Beginning	Ending
Nonrecourse . . .	$	$
Qualified nonrecourse financing . . .	$	$
Recourse . . .	$	$

☐ Check this box if item K includes liability amounts from lower tier partnerships.

Partner's Capital Account Analysis

Beginning capital account	$ 0
Capital contributed during the year . .	$ 56,050
Current year net income (loss)	$
Other increase (decrease) (attach explanation)	$
Withdrawals & distributions	$( )
Ending capital account	$ 56,050

Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No If "Yes," attach statement. See instructions.

Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)
Beginning . . . . $
Ending . . . . $

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss) 91,230	15	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4a	Guaranteed payments for services		
4b	Guaranteed payments for capital		
4c	Total guaranteed payments		
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends		
6c	Dividend equivalents	17	Alternative minimum tax (AMT) items
7	Royalties		
8	Net short-term capital gain (loss)		
9a	Net long-term capital gain (loss)	18	Tax-exempt income and nondeductible expenses
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	19	Distributions
11	Other income (loss)		
		20	Other information
12	Section 179 deduction		
13	Other deductions		
A	23,750		
14	Self-employment earnings (loss)		
A	91,230		
C	1,376,354		

21 ☐ More than one activity for at-risk purposes*
22 ☐ More than one activity for passive activity purposes*
*See attached statement for additional information.

For IRS Use Only

Business review and analysis:

The Seller's analysis of the business must support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the Borrower.

- The analysis must include a review of the business tax returns

Can We Use Ordinary Income/Rental Income? Was There A Distribution? Solvent?

Page 20

Genworth

Quick Reference Guide Partnership K-1

II. Income Calculations from IRS Schedule K-1 and IRS form 1065

8. Partnership Income (Refer to Chapter 5304)
   Name of Business: ReHab Addict

Partnership – Schedule K-1 (IRS Form 1065)		2019	2018	NOTES
Ordinary business income or loss *(Line 1)*	+/-	91,230.00		
Net rental real estate income or loss *(Lines 2 and 3)* if verified recurring	+/-			
Guaranteed payments *(2019 Line 4c, 2018 Line 4)*	+			
Subtotal from Schedule K-1 (IRS Form 1065)		$ 91,230.00	$ 0.00	

Genworth Calculator Is A Tool; Lenders/Underwriters Review Each Loan File And Determine Compliance With Freddie Mac Or Investor Guidelines

Partnership K-1

Part III	Partner's Share of (Deductions, Credits
1	Ordinary business income (loss) 91,230
2	Net rental real estate income (loss)
3	Other net rental income (loss)

Schedule K-1 (Form 1065) 2019
Department of the Treasury
Internal Revenue Service
For calendar year 2019, or tax year
beginning / / 2019 ending / /
Partner's Share of Income, Deductions, Credits, etc. ▶ See back of form and separate instructions.

651119
☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0123

Part I Information About the Partnership

A Partnership's employer identification number
46-123456

B Partnership's name, address, city, state, and ZIP code
Rehab Addict LLC
334566 103rd Street
Dallas, TX 75432

C IRS Center where partnership filed return ▶ efile

D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See inst.)
XXX-XX-XXXX

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
Mary Homeowner
7 Galloping Hill Road Dallas, TX 75432

G ☒ General partner or LLC member-manager ☐ Limited partner or other LLC member

H1 ☒ Domestic partner ☐ Foreign partner

H2 ☐ If the partner is a disregarded entity (DE), enter the partner's:
TIN ____ Name ____

I1 What type of entity is this partner? Individual

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):
Beginning Ending

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss) 91,230	15	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4a	Guaranteed payments for services		
4b	Guaranteed payments for capital		
4c	Total guaranteed payments		
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends		
6c	Dividend equivalents	17	Alternative minimum tax (AMT) items
7	Royalties		
8	Net short-term capital gain (loss)		
9a	Net long-term capital gain (loss)	18	Tax-exempt income and nondeductible expenses
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)		

Schedule K-1 (Form 1065) 2019

II. Income Calculations from IRS Schedule K-1 and IRS form 1065

8. Partnership Income (Refer to Chapter 5304)
Name of Business: ReHab Addict

Partnership – Schedule K-1 (IRS Form 1065)		2019	2018	NOTES
Ordinary business income or loss *(Line 1)*	+/-	91,230.00		
Net rental real estate income or loss *(Lines 2 and 3)* if verified recurring	+/-	0.00		
Guaranteed payments *(2019 Line 4c, 2018 Line 4)*	+			
Subtotal from Schedule K-1 (IRS Form 1065)		$ 91,230.00	$ 0.00	

Can We Use Ordinary Income/Rental Income? Was There A Distribution? Solvent?

Page 20

Partnership K-1

4c	Total guaranteed payments

651119

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0123

Schedule K-1 (Form 1065) **2019**

Department of the Treasury Internal Revenue Service

For calendar year 2019, or tax year beginning / / 2019 ending / /

Partner's Share of Income, Deductions, Credits, etc. ▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
46-123456

B Partnership's name, address, city, state, and ZIP code
Rehab Addict LLC
334566 103rd Street
Dallas, TX 75432

C IRS Center where partnership filed return ▶ efile

D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See inst.)
XXX-XX-XXXX

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
Mary Homeowner
7 Galloping Hill Road Dallas, TX 75432

G ☒ General partner or LLC member-manager ☐ Limited partner or other LLC member

H1 ☒ Domestic partner ☐ Foreign partner

H2 ☐ If the partner is a disregarded entity (DE), enter the partner's:

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1 Ordinary business income (loss) 91,230		15	Credits
2 Net rental real estate income (loss)			
3 Other net rental income (loss)		16	Foreign transactions
4a Guaranteed payments for services			
4b Guaranteed payments for capital			
4c Total guaranteed payments			
5 Interest income			
6a Ordinary dividends			
6b Qualified dividends			
6c Dividend equivalents		17	Alternative minimum tax (AMT) items
7 Royalties			
8 Net short-term capital gain (loss)			
9a Net long-term capital gain (loss)		18	Tax-exempt income and nondeductible expenses
9b Collectibles (28%) gain (loss)			
		19	Distributions
		20	Other information

II. Income Calculations from IRS Schedule K-1 and IRS form 1065

8. Partnership Income (Refer to Chapter 5304)

Name of Business: ReHab Addict

Partnership – Schedule K-1 (IRS Form 1065)		2019	2018	NOTES
Ordinary business income or loss *(Line 1)*	+/-	91,230.00		
Net rental real estate income or loss *(Lines 2 and 3)* if verified recurring	+/-	0.00		
Guaranteed payments *(2019 Line 4c, 2018 Line 4)*	+	0.00		
Subtotal from Schedule K-1 (IRS Form 1065)		$ 91,230.00	$ 0.00	

purposes"
activity purposes"
onal information.

N Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)
Beginning . . . . $
Ending . . . . $

For IRS

For Paperwork Reduction Act Notice, see Instructions for Form 1065. www.irs.gov/Form1065 Cat. No. 11394R Schedule K-1 (Form 1065) 2019

20

Page 20

Section 8

	Partnership Income from IRS Form 1065		2019	2018	NOTES
	Depreciation (IRS Form 1065) *(Line 16c)*	+			*Only add back the eligible "Other" line items, such as Amortization or a non-recurring Casualty Loss. **Seller must analyze the terms of the mortgage and notes payable in less than one year and determine whether the income should be reduced by the debt when performing the income analysis.
	Depreciation (IRS Form 8825) (Guide Section 5304.1(d)) *(Line 14) if applicable*	+			
	Depletion *(Line 17)*	+			
	Amortization or casualty loss *(Review attachment related to Line 20)**	+			
	Mortgage, notes, bonds payable in less than one year (Section 5304.1(d)) *(Schedule L, Line 16d)***	–			
	Other non-recurring income or loss *(Lines 4, 5, 6 and 7)*	+/–			
	Travel and entertainment exclusion *(Schedule M-1, Line 4b)*	–			
	Subtotal Prior to Application of Ownership Interest Percentage		$ 0.00	$ 0.00	
	Multiply by total percentage of ownership (on Schedule K -1)	X			
	Subtotal from IRS Form 1065		$ 0.00	$ 0.00	
Combined Total from Partnership			$ 0.00	$ 0.00	

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Section 8 – Form 1065

Partnership Income from IRS Form 1065		2019
Depreciation (IRS Form 1065) *(Line 16c)*	+	0.00
Depreciation (IRS Form 8825) (Guide Section 5304.1(d)) *(Line 14) if applicable*	+	
Depletion *(Line 17)*	+	
Amortization or casualty loss *(Review attachment related to Line 20)**	+	
Mortgage, notes, bonds payable in less than one year (Section 5304.1(d)) *(Schedule L, Line 16d)***	–	
Other non-recurring income or loss *(Lines 4, 5, 6 and 7)*	+/-	
Travel and entertainment exclusion *(Schedule M-1, Line 4b)*	–	
Subtotal Prior to Application of Ownership Interest Percentage		$ 0.00
Multiply by total percentage of ownership (on Schedule K -1)	X	
Subtotal from IRS Form 1065		$ 0.00
Combined Total from Partnership		$ 91,230.00

Form **1065**
Department of the Treasury
Internal Revenue Service

U.S. Return of Partnership Income

For calendar year 2019, or tax year beginning ________, 2019, ending ________, 20___.
▶ Go to *www.irs.gov/Form1065* for instructions and the latest information.

OMB No. 1545-0123
2019

A Principal business activity: Construction	Name of partnership: Rehab Addict LLC	D Employer identification number: 46-1234567
B Principal product or service: Construction	Type or Print — Number, street, and room or suite no. If a P.O. box, see instructions.: 334566 103rd Street	E Date business started: 11/30/2012
C Business code number: 123456	City or town, state or province, country, and ZIP or foreign postal code: Dallas, TX 75432	F Total assets (see instructions): $ 0

G Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return
H Check accounting method: (1) ☑ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶
I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ 2
J Check if Schedules C and M-3 are attached ▶ ☐
K Check if partnership: (1) ☐ Aggregated activities for section 465 at-risk purposes (2) ☐ Grouped activities for section 469 passive activity purposes

Caution: Include **only** trade or business income and expenses on lines 1a through 22 below. See instructions for more information.

Income	1a	Gross receipts or sales	1a	1,448,794		
	b	Returns and allowances	1b			
	c	Balance. Subtract line 1b from line 1a			1c	1,448,794
	2	Cost of goods sold (attach Form 1125-A)			2	0
	3	Gross profit. Subtract line 2 from line 1c			3	1,448,794
	4	Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)			4	
	5	Net farm profit (loss) (attach Schedule F (Form 1040 or 1040-SR))			5	
	6	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)			6	
	7	Other income (loss) (attach statement)			7	
	8	**Total income (loss).** Combine lines 3 through 7			8	1,448,794
Deductions (see instructions for limitations)	9	Salaries and wages (other than to partners) (less employment credits)			9	411,899
	10	Guaranteed payments to partners			10	
	11	Repairs and maintenance			11	
	12	Bad debts			12	
	13	Rent			13	8,961
	14	Taxes and licenses			14	92,582
	15	Interest (see instructions)			15	
	16a	Depreciation (if required, attach Form 4562)	16a			
	17	Depletion **(Do not deduct oil and gas depletion.)**			17	
	18	Retirement plans, etc.			18	51,148
	19	Employee benefit programs			19	8,528
	20	Other deductions (attach statement)			20	ste #2 779,644
	21	**Total deductions.** Add the amounts shown in the far right column for lines 9 through 20			21	1,352,762
	22	**Ordinary business income (loss).** Subtract line 21 from line 8			22	96,032
Tax and Payment	23	Interest due under the look-back method—completed long-term contracts (attach Form 8697)			23	
	24	Interest due under the look-back method—income forecast method (attach Form 8866)			24	
	25	BBA AAR imputed underpayment (see instructions)			25	
	26	Other taxes (see instructions)			26	
	27	**Total balance due.** Add lines 23 through 26			27	
	28	Payment (see instructions)			28	
	29	**Amount owed.** If line 28 is smaller than line 27, enter amount owed			29	
	30	**Overpayment.** If line 28 is larger than line 27, enter overpayment			30	

Sign Here
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than partner or limited liability company member) is based on all information of which preparer has any knowledge.
▶ Signature of partner or limited liability company member ▶ Date
May the IRS discuss this return with the preparer shown below? See instructions. ☑ Yes ☐ No

Paid Preparer Use Only
Print/Type preparer's name: Amy Accountant | Preparer's signature | Date | Check ☐ if self-employed | PTIN
Firm's name ▶ Accountants & Daughters LLC | Firm's EIN ▶ 98765
Firm's address ▶ 100 Main st, Waco, TX 76701 | Phone no.

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11390Z Form **1065** (2019)

Page 22

Section VII – Form 1065

	Partnership Income from IRS Form 1065		2019
	Depreciation (IRS Form 1065) *(Line 16c)*	+	0.00
	Depreciation (IRS Form 8825) (Guide Section 5304.1(d)) *(Line 14) if applicable*	+	0.00
	Depletion *(Line 17)*	+	
	Amortization or casualty loss *(Review attachment related to Line 20)**	+	
	Mortgage, notes, bonds payable in less than one year (Section 5304.1(d)) *(Schedule L, Line 16d)***	-	
	Other non-recurring income or loss *(Lines 4, 5, 6 and 7)*	+/-	
	Travel and entertainment exclusion *(Schedule M-1, Line 4b)*	-	
	Subtotal Prior to Application of Ownership Interest Percentage		$ 0.00
	Multiply by total percentage of ownership (on Schedule K-1)	X	
	Subtotal from IRS Form 1065		$ 0.00
Combined Total from Partnership			$ 91,230.00

Form **8825** (Rev. November 2018) Department of the Treasury Internal Revenue Service

Rental Real Estate Income and Expenses of a Partnership or an S Corporation

▶ Attach to Form 1065 or Form 1120S.

▶ Go to *www.irs.gov/Form8825* for the latest information.

OMB No. 1545-0123

Name | **Employer identification number**

1 Show the type and address of each property. For each rental real estate property listed, report the number of days rented at fair rental value and days with personal use. See instructions. See page 2 to list additional properties.

	Physical address of each property—street, city, state, ZIP code	Type—Enter code 1–8; see page 2 for list	Fair Rental Days	Personal Use Days
A				
B				
C				
D				

		Properties A	Properties B	Properties C	Properties D
Rental Real Estate Income					
2 Gross rents	2				
Rental Real Estate Expenses					
3 Advertising	3				
4 Auto and travel	4				
5 Cleaning and maintenance	5				
6 Commissions	6				
7 Insurance	7				
8 Legal and other professional fees	8				
9 Interest (see instructions)	9				
10 Repairs	10				
11 Taxes	11				
12 Utilities	12				
13 Wages and salaries	13				
14 Depreciation (see instructions)	14				
15 Other (list) ▶	15				
16 Total expenses for each property. Add lines 3 through 15	16				
17 Income or (loss) from each property. Subtract line 16 from line 2	17				

18a Total gross rents. Add gross rents from line 2, columns A through H . . . **18a**

b Total expenses. Add total expenses from line 16, columns A through H . . . **18b** ( )

19 Net gain (loss) from Form 4797, Part II, line 17, from the disposition of property from rental real estate activities . . . **19**

20a Net income (loss) from rental real estate activities from partnerships, estates, and trusts in which this partnership or S corporation is a partner or beneficiary (from Schedule K-1) . . . **20a**

b Identify below the partnerships, estates, or trusts from which net income (loss) is shown on line 20a. Attach a schedule if more space is needed.

(1) Name **(2)** Employer identification number

21 Net rental real estate income (loss). Combine lines 18a through 20a. Enter the result here and on: **21**
• **Form 1065 or 1120S:** Schedule K, line 2

For Paperwork Reduction Act Notice, see instructions. Cat. No. 10136Z Form **8825** (Rev. 11-2018)

No Example

Section 8 – Form 1065

	Partnership Income from IRS Form 1065		2019
	Depreciation (IRS Form 1065) *(Line 16c)*	+	0.00
	Depreciation (IRS Form 8825) (Guide Section 5304.1(d)) *(Line 14) if applicable*	+	0.00
	Depletion *(Line 17)*	+	0.00
	Amortization or casualty loss *(Review attachment related to Line 20)**	+	
	Mortgage, notes, bonds payable in less than one year (Section 5304.1(d)) *(Schedule L, Line 16d)***	-	
	Other non-recurring income or loss *(Lines 4, 5, 6 and 7)*	+/-	
	Travel and entertainment exclusion *(Schedule M-1, Line 4b)*	-	
	Subtotal Prior to Application of Ownership Interest Percentage		$ 0.00
	Multiply by total percentage of ownership (on Schedule K -1)	X	
	Subtotal from IRS Form 1065		$ 0.00
Combined Total from Partnership			$ 91,230.00

Form **1065** Department of the Treasury Internal Revenue Service

U.S. Return of Partnership Income

For calendar year 2019, or tax year beginning ________, 2019, ending ________, 20__.

▶ Go to *www.irs.gov/Form1065* for instructions and the latest information.

OMB No. 1545-0123 **2019**

A Principal business activity: Construction	Name of partnership: Rehab Addict LLC	D Employer identification number: 46-1234567
B Principal product or service: Construction	Type or Print — Number, street, and room or suite no. If a P.O. box, see instructions.: 334566 103rd Street	E Date business started: 11/30/2012
C Business code number: 123456	City or town, state or province, country, and ZIP or foreign postal code: Dallas, TX 75432	F Total assets (see instructions): $ 0

G Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return

H Check accounting method: (1) ☑ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶

I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ 2

J Check if Schedules C and M-3 are attached ▶ ☐

K Check if partnership: (1) ☐ Aggregated activities for section 465 at-risk purposes (2) ☐ Grouped activities for section 469 passive activity purposes

Caution: Include **only** trade or business income and expenses on lines 1a through 22 below. See instructions for more information.

	Line	Description			Line	Amount
Income	1a	Gross receipts or sales	1a	1,448,794		
	b	Returns and allowances	1b			
	c	Balance. Subtract line 1b from line 1a			1c	1,448,794
	2	Cost of goods sold (attach Form 1125-A)			2	0
	3	Gross profit. Subtract line 2 from line 1c			3	1,448,794
	4	Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)			4	
	5	Net farm profit (loss) (attach Schedule F (Form 1040 or 1040-SR))			5	
	6	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)			6	
	7	Other income (loss) (attach statement)			7	
	8	**Total income (loss).** Combine lines 3 through 7			8	1,448,794
Deductions (see instructions for limitations)	9	Salaries and wages (other than to partners) (less employment credits)			9	411,899
	10	Guaranteed payments to partners			10	
	11	Repairs and maintenance			11	
	12	Bad debts			12	
	13	Rent			13	8,961
	14	Taxes and licenses			14	92,582
	15	Interest (see instructions)			15	
	16a	Depreciation (if required, attach Form 4562)	16a			
	17	Depletion **(Do not deduct oil and gas depletion.)**			17	
	19	Employee benefit programs			19	8,528
	20	Other deductions (attach statement)			20	ste #2 779,644
	21	**Total deductions.** Add the amounts shown in the far right column for lines 9 through 20			21	1,352,762
	22	**Ordinary business income (loss).** Subtract line 21 from line 8			22	96,032
Tax and Payment	23	Interest due under the look-back method—completed long-term contracts (attach Form 8697)			23	
	24	Interest due under the look-back method—income forecast method (attach Form 8866)			24	
	25	BBA AAR imputed underpayment (see instructions)			25	
	26	Other taxes (see instructions)			26	
	27	**Total balance due.** Add lines 23 through 26			27	
	28	Payment (see instructions)			28	
	29	**Amount owed.** If line 28 is smaller than line 27, enter amount owed			29	
	30	**Overpayment.** If line 28 is larger than line 27, enter overpayment			30	

Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than partner or limited liability company member) is based on all information of which preparer has any knowledge.

▶ Signature of partner or limited liability company member ▶ Date

May the IRS discuss this return with the preparer shown below? See instructions. ☑ Yes ☐ No

Paid Preparer Use Only

Print/Type preparer's name: Amy Accountant | Preparer's signature | Date | Check ☐ if self-employed | PTIN

Firm's name ▶ Accountants & Daughters LLC | Firm's EIN ▶ 98765

Firm's address ▶ 100 Main st, Waco, TX 76701 | Phone no.

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11390Z Form **1065** (2019)

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Genworth

Section 8 – Form 1065

Form **1065** — **U.S. Return of Partnership Income** — OMB No. 1545-0123 — **2019**

Department of the Treasury, Internal Revenue Service

For calendar year 2019, or tax year beginning ________, 2019, ending ________, 20___

▶ Go to *www.irs.gov/Form1065* for instructions and the latest information.

A Principal business activity: Construction	Name of partnership: Rehab Addict LLC	D Employer identification number: 46-1234567
B Principal product or service: Construction	Number, street, and room or suite no. If a P.O. box, see instructions.: 334566 103rd Street	E Date business started: 11/30/2012
C Business code number: 123456	City or town, state or province, country, and ZIP or foreign postal code: Dallas, TX 75432	F Total assets (see instructions): $ 0

Type or Print

G Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return

H Check accounting method: (1) ☑ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶

I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ 2

J Check if Schedules C and M-3 are attached ▶ ☐

K Check if partnership: (1) ☐ Aggregated activities for section 465 at-risk purposes (2) ☐ Grouped activities for section 469 passive activity purposes

Caution: Include **only** trade or business income and expenses on lines 1a through 22 below. See instructions for more information.

Income	1a	Gross receipts or sales	1a: 1,448,794		
	b	Returns and allowances	1b		
	c	Balance. Subtract line 1b from line 1a		1c	1,448,794
	2	Cost of goods sold (attach Form 1125-A)		2	0
	3	Gross profit. Subtract line 2 from line 1c		3	1,448,794
	4	Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)		4	
	5	Net farm profit (loss) (attach Schedule F (Form 1040 or 1040-SR))		5	
	6	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)		6	
	7	Other income (loss) (attach statement)		7	
	8	**Total income (loss).** Combine lines 3 through 7		8	1,448,794
Deductions (see instructions for limitations)	9	Salaries and wages (other than to partners) (less employment credits)		9	411,899
	10	Guaranteed payments to partners		10	
	11	Repairs and maintenance		11	
	12	Bad debts		12	
	13	Rent		13	8,961
	14	Taxes and licenses		14	92,582
	15	Interest (see instructions)		15	
	16a	Depreciation (if required, attach Form 4562)	16a		
	b	Less depreciation reported on Form 1125-A and elsewhere on return	16b	16c	
	17	Depletion **(Do not deduct oil and gas depletion.)**		17	
	18	Retirement plans, etc.		18	51,148
	19	Employee benefit programs		19	[illegible]
	20	Other deductions (attach statement)		20	stc #2 779,644
	21	**Total deductions.** Add the amounts shown in the far right column for lines 9 through 20		21	1,352,762
	22	**Ordinary business income (loss).** Subtract line 21 from line 8		22	96,032
Tax and Payment	23	Interest due under the look-back method—completed long-term contracts (attach Form 8697)		23	
	24	Interest due under the look-back method—income forecast method (attach Form 8866)		24	
	25	BBA AAR imputed underpayment (see instructions)		25	
	26	Other taxes (see instructions)		26	
	27	**Total balance due.** Add lines 23 through 26		27	
	28	Payment (see instructions)		28	
	29	**Amount owed.** If line 28 is smaller than line 27, enter amount owed		29	
	30	**Overpayment.** If line 28 is larger than line 27, enter overpayment		30	

Sign Here — Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than partner or limited liability company member) is based on all information of which preparer has any knowledge.

▶ Signature of partner or limited liability company member ▶ Date

May the IRS discuss this return with the preparer shown below? See instructions. ☑ Yes ☐ No

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Amy Accountant				
Firm's name ▶ Accountants & Daughters LLC			Firm's EIN ▶ 98765	
Firm's address ▶ 100 Main st, Waco, TX 76701			Phone no.	

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11390Z Form **1065** (2019)

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Section 8 – Form 1065

FORM 1065 OTHER DEDUCTIONS STATEMENT 2

DESCRIPTION	AMOUNT
ADVERTISING	25,330
ACCOUNTING	4,200
AUTOMOBILE	10,000
BANK SERVICE CHARGES	10
DELIVERY AND FREIGHT	53
EQUIPMENT RENT	4,699
INSURANCE	144,484
LEGAL AND PROFESSIONAL	635
MEALS AND ENTERTAINMENT (50%)	-1,100
MEALS AND ENTERTAINMENT (100%)	5,500
OUTSIDE SERVICES	234,803
PARKING FEES AND TOLLS	64
SUPPLIES	307,424
TELEPHONE AND INTERNET	7,315
TOOLS	24,258
TRAVEL	3,955
UNIFORMS	2,815
TRUCK FOR BUSINESS	3,592
PARTS	1,607
TOTAL TO FORM 1065, LINE 20	779,644

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Section 8 – Form 1065

	Partnership Income from IRS Form 1065		2019
	Depreciation (IRS Form 1065) *(Line 16c)*	+	0.00
	Depreciation (IRS Form 8825) (Guide Section 5304.1(d)) *(Line 14) if applicable*	+	0.00
	Depletion *(Line 17)*	+	0.00
	Amortization or casualty loss *(Review attachment related to Line 20)**	+	0.00
→	Mortgage, notes, bonds payable in less than one year (Section 5304.1(d)) *(Schedule L, Line 16d)***	–	
	Other non-recurring income or loss *(Lines 4, 5, 6 and 7)*	+/–	
	Travel and entertainment exclusion *(Schedule M-1, Line 4b)*	–	
	Subtotal Prior to Application of Ownership Interest Percentage		$ 0.00
	Multiply by total percentage of ownership (on Schedule K -1)	X	
	Subtotal from IRS Form 1065		$ 0.00
	Combined Total from Partnership		$ 91,230.00

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Section 8 – Form 1065

Partnership Income from IRS Form 1065		2019
Depreciation (IRS Form 1065) *(Line 16c)*	+	0.00
Depreciation (IRS Form 8825) (Guide Section 5304.1(d)) *(Line 14) if applicable*	+	0.00
Depletion *(Line 17)*	+	0.00
Amortization or casualty loss *(Review attachment related to Line 20)**	+	0.00
Mortgage, notes, bonds payable in less than one year (Section 5304.1(d)) *(Schedule L, Line 16d)***	-	0.00
Other non-recurring income or loss *(Lines 4, 5, 6 and 7)*	+/-	
Travel and entertainment exclusion *(Schedule M-1, Line 4b)*	-	
Subtotal Prior to Application of Ownership Interest Percentage		$ 0.00
Multiply by total percentage of ownership (on Schedule K -1)	X	
Subtotal from IRS Form 1065		$ 0.00
mbined Total from Partnership		$ 91,230.00

NOTES

*Follow specific investor guidelines; Adjustments may not be required if there is evidence these roll over regularly, these are verified to be a line of credit or if the business has sufficient assets to cover the liability.

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Schedule L	Balance Sheets per Books	Beginning of tax year (a)	(b)	End of tax year (c)	(d)
	Assets				
1	Cash				59,000
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities				
6	Other current assets (attach statement)				
7a	Loans to partners (or persons related to partners)				
b	Mortgage and real estate loans				
8	Other investments (attach statement)				
9a	Buildings and other depreciable assets				
b	Less accumulated depreciation				
10a	Depletable assets				
b	Less accumulated depletion				
11	Land (net of any amortization)				
12a	Intangible assets (amortizable only)				
b	Less accumulated amortization				
13	Other assets (attach statement)				
14	Total assets				59,000
	Liabilities and Capital				
15	Accounts payable				
16	Mortgages, notes, bonds payable in less than 1 year				
17	Other current liabilities (attach statement)				
18	All nonrecourse loans				
19a	Loans from partners (or persons related to partners)				
b	Mortgages, notes, bonds payable in 1 year or more				
20	Other liabilities (attach statement)				
21	Partners' capital accounts				59,000
22	Total liabilities and capital				59,000

Mortgages and notes payable in less than one year

- The Seller must analyze the terms of the Mortgages and notes payable in less than one year and determine whether the income should be reduced by the debt when performing the income analysis
- The analysis must include factors such as whether the business has sufficient liquidity to pay off the debt without a negative impact to the business, if the business type is indicative of debt that would continually roll over, and/or if the debt is a line of credit that is consistently renewable. If these factors are present, the income does not need to be reduced by the debt when performing the income analysis.

Chapter 5304

Partnership Income from IRS Form 1065		2019
Depreciation (IRS Form 1065) *(Line 16c)*	+	0.00
Depreciation (IRS Form 8825) (Guide Section 5304.1(d)) *(Line 14) if applicable*	+	0.00
Depletion *(Line 17)*	+	0.00
Amortization or casualty loss *(Review attachment related to Line 20)**	+	0.00
Mortgage, notes, bonds payable in less than one year (Section 5304.1(d)) *(Schedule L, Line 16d)***	-	0.00
Other non-recurring income or loss *(Lines 4, 5, 6 and 7)*	+/–	
Travel and entertainment exclusion *(Schedule M-1, Line 4b)*	–	
Subtotal Prior to Application of Ownership Interest Percentage		$ 0.00
Multiply by total percentage of ownership (on Schedule K-1)	X	
Subtotal from IRS Form 1065		$ 0.00
mbined Total from Partnership		$ 91,230.00

Section 8 – Form 1065

Form **1065**
Department of the Treasury
Internal Revenue Service

U.S. Return of Partnership Income

For calendar year 2019, or tax year beginning ____________, 2019, ending ____________, 20___.

▶ Go to *www.irs.gov/Form1065* for instructions and the latest information.

OMB No. 1545-0123

2019

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Type or Print

G Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return

H Check accounting method: (1) ☑ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶

I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ 2

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K Check if partnership: (1) ☐ Aggregated activities for section 465 at-risk purposes (2) ☐ Grouped activities for section 469 passive activity purposes

Caution: Include **only** trade or business income and expenses on lines 1a through 22 below. See instructions for more information.

	Line	Description				Amount
Income	1a	Gross receipts or sales	1a	1,448,794		
	b	Returns and allowances	1b			
	c	Balance. Subtract line 1b from line 1a			1c	1,448,794
	2	Cost of goods sold (attach Form 1125-A)			2	0
	3	Gross profit. Subtract line 2 from line 1c			3	1,448,794
	4	Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)			4	
	5	Net farm profit (loss) (attach Schedule F (Form 1040 or 1040-SR))			5	
	6	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)			6	
	7	Other income (loss) (attach statement)			7	
	8	**Total income (loss).** Combine lines 3 through 7			8	1,448,794
Deductions (see instructions for limitations)	9	Salaries and wages (other than to partners) (less employment credits)			9	411,899
	10	Guaranteed payments to partners			10	
	11	Repairs and maintenance			11	
	12	Bad debts			12	
	13	Rent			13	8,961
	14	Taxes and licenses			14	92,582
	15	Interest (see instructions)			15	
	16a	Depreciation (if required, attach Form 4562)	16a			
	b	Less depreciation reported on Form 1125-A and elsewhere on return	16b		16c	
	17	Depletion **(Do not deduct oil and gas depletion.)**			17	
	18	Retirement plans, etc.			18	51,148
	19	Employee benefit programs			19	8,528
	20	Other deductions (attach statement)			20	stc #2 779,644
	21	**Total deductions.** Add the amounts shown in the far right column for lines 9 through 20			21	1,352,762
	22	**Ordinary business income (loss).** Subtract line 21 from line 8			22	96,032
Tax and Payment	23	Interest due under the look-back method—completed long-term contracts (attach Form 8697)			23	
	24	Interest due under the look-back method—income forecast method (attach Form 8866)			24	
	25	BBA AAR imputed underpayment (see instructions)			25	
	26	Other taxes (see instructions)			26	
	27	**Total balance due.** Add lines 23 through 26			27	
	28	Payment (see instructions)			28	
	29	**Amount owed.** If line 28 is smaller than line 27, enter amount owed			29	
	30	**Overpayment.** If line 28 is larger than line 27, enter overpayment			30	

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than partner or limited liability company member) is based on all information of which preparer has any knowledge.

▶ Signature of partner or limited liability company member ▶ Date

May the IRS discuss this return with the preparer shown below? See instructions. ☑ Yes ☐ No

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Amy Accountant				
Firm's name ▶ Accountants & Daughters LLC			Firm's EIN ▶ 98765	
Firm's address ▶ 100 Main st, Waco, TX 76701			Phone no.	

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11390Z Form **1065** (2019)

Page 22

	Partnership Income from IRS Form 1065		2019
	Depreciation (IRS Form 1065) *(Line 16c)*	+	0.00
	Depreciation (IRS Form 8825) (Guide Section 5304.1(d)) *(Line 14) if applicable*	+	0.00
	Depletion *(Line 17)*	+	0.00
	Amortization or casualty loss *(Review attachment related to Line 20)**	+	0.00
	Mortgage, notes, bonds payable in less than one year (Section 5304.1(d)) *(Schedule L, Line 16d)***	-	0.00
	Other non-recurring income or loss *(Lines 4, 5, 6 and 7)*	+/-	0.00
→	Travel and entertainment exclusion *(Schedule M-1, Line 4b)*	-	
	Subtotal Prior to Application of Ownership Interest Percentage		$ 0.00
	Multiply by total percentage of ownership (on Schedule K -1)	X	
	Subtotal from IRS Form 1065		$ 0.00
Combined Total from Partnership			$ 91,230.00

Section VII – Form 1065

Schedule M-1 **Reconciliation of Income (Loss) per Books With Income (Loss) per Return**
Note: The partnership may be required to file Schedule M-3. See instructions.

1	Net income (loss) per books	59,000	6	Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize):	
2	Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize): ______________		a	Tax-exempt interest $______________	
3	Guaranteed payments (other than health insurance)		7	Deductions included on Schedule K, lines 1 through 13d, and 16p, not charged against book income this year (itemize):	
4	Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16p (itemize):		a	Depreciation $______________	
a	Depreciation $______________		8	Add lines 6 and 7	
b	Travel and entertainment $ (1,101)	-1,101	9	Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5	57,899
5	Add lines 1 through 4	57,899			

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Partnership Income from IRS Form 1065		2019
Depreciation (IRS Form 1065) *(Line 16c)*	+	0.00
Depreciation (IRS Form 8825) (Guide Section 5304.1(d)) *(Line 14) if applicable*	+	0.00
Depletion *(Line 17)*	+	0.00
Amortization or casualty loss *(Review attachment related to Line 20)**	+	0.00
Mortgage, notes, bonds payable in less than one year (Section 5304.1(d)) *(Schedule L, Line 16d)***	-	0.00
Other non-recurring income or loss *(Lines 4, 5, 6 and 7)*	+/-	0.00
Travel and entertainment exclusion *(Schedule M-1, Line 4b)*	-	(1,101.00)
Subtotal Prior to Application of Ownership Interest Percentage		$ 1,101.00
Multiply by total percentage of ownership (on Schedule K-1)	X	
Subtotal from IRS Form 1065		$ 0.00
Combined Total from Partnership		$ 91,230.00

Partnership K-1

651119

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0123

Schedule K-1 (Form 1065) **2019**
Department of the Treasury
Internal Revenue Service

For calendar year 2019, or tax year
beginning / / 2019 ending / /

Partner's Share of Income, Deductions, Credits, etc. ► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
46-123456

B Partnership's name, address, city, state, and ZIP code
Rehab Addict LLC
334566 103rd Street
Dallas, TX 75432

C IRS Center where partnership filed return ► efile

D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See inst.)
XXX-XX-XXXX

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
Mary Homeowner
7 Galloping Hill Road Dallas, TX 75432

G ☒ General partner or LLC member-manager ☐ Limited partner or other LLC member

H1 ☒ Domestic partner ☐ Foreign partner

H2 ☐ If the partner is a disregarded entity (DE), enter the partner's:
TIN ______ Name ______

I1 What type of entity is this partner? Individual

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	95 %	95 %
Loss	95 %	95 %
Capital	95 %	95 %

Check if decrease is due to sale or exchange of partnership interest ☐

K Partner's share of liabilities:

	Beginning	Ending
Nonrecourse	$	$
Qualified nonrecourse financing	$	$
Recourse	$	$

☐ Check this box if Item K includes liability amounts from lower tier partnerships.

L **Partner's Capital Account Analysis**

Beginning capital account	$ 0
Capital contributed during the year	$ 56,050
Current year net income (loss)	$
Other increase (decrease) (attach explanation)	$
Withdrawals & distributions	$ ( )
Ending capital account	$ 56,050

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No If "Yes," attach statement. See instructions.

N **Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)**
Beginning $
Ending $

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	91,230
2	Net rental real estate income (loss)	
3	Other net rental income (loss)	
4a	Guaranteed payments for services	
4b	Guaranteed payments for capital	
4c	Total guaranteed payments	
5	Interest income	
6a	Ordinary dividends	
6b	Qualified dividends	
6c	Dividend equivalents	
7	Royalties	
8	Net short-term capital gain (loss)	
9a	Net long-term capital gain (loss)	
9b	Collectibles (28%) gain (loss)	
9c	Unrecaptured section 1250 gain	
10	Net section 1231 gain (loss)	
11	Other income (loss)	
12	Section 179 deduction	
13	Other deductions	
	A	23,750
14	Self-employment earnings (loss)	
	A	91,230
	C	1,376,354
15	Credits	
16	Foreign transactions	
17	Alternative minimum tax (AMT) items	
18	Tax-exempt income and nondeductible expenses	
19	Distributions	
20	Other information	

21 ☐ More than one activity for at-risk purposes*
22 ☐ More than one activity for passive activity purposes*
*See attached statement for additional information.

For IRS Use Only

For Paperwork Reduction Act Notice, see Instructions for Form 1065. www.irs.gov/Form1065 Cat. No. 11394R Schedule K-1 (Form 1065) 2019

20

Page 20

Partnership Total Income

8. Partnership Income (Refer to Chapter 5304)
Name of Business: ReHab Addict

	Partnership – Schedule K-1 (IRS Form 1065)		2019
	Ordinary business income or loss *(Line 1)*	+/-	91,230.00
	Net rental real estate income or loss *(Lines 2 and 3)* if verified recurring	+/-	0.00
	Guaranteed payments *(2019 Line 4c, 2018 Line 4)*	+	0.00
	Subtotal from Schedule K-1 (IRS Form 1065)		$ 91,230.00

	Partnership Income from IRS Form 1065		2019
	Depreciation (IRS Form 1065) *(Line 16c)*	+	0.00
	Depreciation (IRS Form 8825) (Guide Section 5304.1(d)) *(Line 14) if applicable*	+	0.00
	Depletion *(Line 17)*	+	0.00
	Amortization or casualty loss *(Review attachment related to Line 20)**	+	0.00
	Mortgage, notes, bonds payable in less than one year (Section 5304.1(d)) *(Schedule L, Line 16d)***	-	0.00
	Other non-recurring income or loss *(Lines 4, 5, 6 and 7)*	+/-	0.00
	Travel and entertainment exclusion *(Schedule M-1, Line 4b)*	-	(1,101.00)
	Subtotal Prior to Application of Ownership Interest Percentage		$ 1,101.00
	Multiply by total percentage of ownership (on Schedule K -1)	X	95.00
	Subtotal from IRS Form 1065		$ 1,045.95
	Combined Total from Partnership		$ 92,275.95

To Use This Income It must Report on the Personal Returns or you must verify Access to Income

Genworth

Use Manually Input Total Section

Partnership Income (Chapter 5304)	2019	2018	NOTES
Subtotal from Schedule K -1 (IRS Form 1065)	$ 91,230.00	$ 0.00	
Subtotal from IRS Form 1065	$ 1,045.95	$ 0.00	
Combined Total from Partnership (Business name: ReHab Addict)	$ 92,275.95	$ 0.00	

S Corporation Income (Chapter 5304)	2019	2018	NOTES
Subtotal from Schedule K -1 (IRS Form 1120S)	$ 0.00	$ 0.00	
Subtotal from IRS Form 1120S	$ 0.00	$ 0.00	
Combined Total from S Corporation (Business name:)	$ 0.00	$ 0.00	

Corporate Income from IRS Form 1120 (Chapter 5304)	2019	2018	NOTES
Subtotal from IRS Form 1120	$ 0.00	$ 0.00	
Total from Corporation (Business name:)	$ 0.00	$ 0.00	

Seller's Calculation of Stable Monthly Income	2019	2018	NOTES
Sum of combined subtotals	$ 92,275.95	$ 0.00	
Total income for both years Comments:	$ 92,275.95		
Divided by number of months[1]	12		
Total Stable Monthly Income[2]	$ 7,689.66		Click button to calculate result

Manually Input Data Below if Using a Different Total Income to Determine Stable Monthly Income		NOTES
Total Income Used to Determine Stable Monthly Income[1]	$ 91,230.00	
Comments		Excluded 1065
Divided by number of months[1]	12	
Total Alternate Calculation[2]	$ 7,602.50	Click button to calculate result

Genworth

Business Classifications

S Corporation

- Can be owned by one person
- "Managing Shareholder" must receive a salary
- Business Income Reported on Form 1120S
- Income reported on Form 1040's
  - Schedule E
  - Could also be W-2 wage or 1099 income
- All shareholders of an S Corp are issued K-1s
- K-1s are attached to the S Corp tax return (IRS Form 1120S)

Advantages

- Taxed on Personal Basis
  - S Corp. Pays No Tax on Income
- Liability Limited to Amount Invested

Disadvantages

- Limited to 100 Shareholders

1120S S Corp

Line 21 Ordinary Income/Loss

$__________

K-1

%

Line 1 Ordinary Income/Loss

$__________

Schedule E page 2

Part II

Schedule 1

Line 5 or 17(2018) Net

Income/Loss Sch.E

Taxed at a personal rate

$__________

S Corps

Check for trends or changes

- Date Incorporated
- Gross receipts
- Cost of goods sold
- Gross profit
- Bottom line "Ordinary Income"
- Were W-2 wages paid to borrower?

Form **1120-S** — Department of the Treasury, Internal Revenue Service

U.S. Income Tax Return for an S Corporation

▶ Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.
▶ Go to *www.irs.gov/Form1120S* for instructions and the latest information.

OMB No. 1545-0123 — 2019

For calendar year 2019 or tax year beginning , 2019, ending , 20

A S election effective date: 11/04/96	Name: DaVinci Residential Painting Inc.	D Employer identification number: 22-1234567
B Business activity code number (see instructions): 339990	TYPE OR PRINT — Number, street, and room or suite no. If a P.O. box, see instructions.: 1200 Sistine Chapel Drive	E Date incorporated: 09/11/96
C Check if Sch. M-3 attached ☐	City or town, state or province, country, and ZIP or foreign postal code: Waco, TX 76701	F Total assets (see instructions): $ 2,323,758

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☑ No If "Yes," attach Form 2553 if not already filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year ▶ 5

J Check if corporation: (1) ☐ Aggregated activities for section 465 at-risk purposes (2) ☐ Grouped activities for section 469 passive activity purposes

Caution: Include **only** trade or business income and expenses on lines 1a through 21. See the instructions for more information.

Line	Description			Line	Amount
1a	Gross receipts or sales	1a	10,010,213		
b	Returns and allowances	1b	7,687		
c	Balance. Subtract line 1b from line 1a			1c	10,002,526
2	Cost of goods sold (attach Form 1125-A)			2	7,450,176
3	Gross profit. Subtract line 2 from line 1c			3	2,552,350
4	Net gain (loss) from Form 4797, line 17 (attach Form 4797)			4	
5	Other income (loss) (see instructions—attach statement)			5	
6	**Total income (loss).** Add lines 3 through 5 ▶			6	2,552,350
7	Compensation of officers (see instructions—attach Form 1125-E)			7	520,618
8	Salaries and wages (less employment credits)			8	491,390
9	Repairs and maintenance			9	12,730
10	Bad debts			10	
11	Rents			11	130,738
12	Taxes and licenses			12	ste 1 50,259
13	Interest (see instructions)			13	41,741
14	Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562)			14	5,703
15	Depletion **(Do not deduct oil and gas depletion.)**			15	
16	Advertising			16	115,685
17	Pension, profit-sharing, etc., plans			17	62,273
18	Employee benefit programs			18	
19	Other deductions (attach statement)			19	ste 2 789,744
20	**Total deductions.** Add lines 7 through 19 ▶			20	2,220,881
21	**Ordinary business income (loss).** Subtract line 20 from line 6			21	331,469
22a	Excess net passive income or LIFO recapture tax (see instructions)	22a			
b	Tax from Schedule D (Form 1120-S)	22b			
c	Add lines 22a and 22b (see instructions for additional taxes)			22c	
23a	2019 estimated tax payments and 2018 overpayment credited to 2019	23a			
b	Tax deposited with Form 7004	23b			
c	Credit for federal tax paid on fuels (attach Form 4136)	23c			
d	Reserved for future use	23d			
e	Add lines 23a through 23d			23e	
24	Estimated tax penalty (see instructions). Check if Form 2220 is attached ▶ ☐			24	
25	**Amount owed.** If line 23e is smaller than the total of lines 22c and 24, enter amount owed			25	
26	**Overpayment.** If line 23e is larger than the total of lines 22c and 24, enter amount overpaid			26	
27	Enter amount from line 26: **Credited to 2020 estimated tax ▶** **Refunded ▶**			27	

Income; Deductions (see instructions for limitations); Tax and Payments

Sign Here — Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer — Date — Title: President

May the IRS discuss this return with the preparer shown below? See instructions. ☑ Yes ☐ No

Paid Preparer Use Only

Print/Type preparer's name: Amy Accountant — Preparer's signature — Date — Check ☐ if self-employed — PTIN: 98765

Firm's name ▶ Accounts and Daughters LLC. — Firm's EIN ▶

Firm's address ▶ 100 Main Street, Waco, TX 76701 — Phone no.

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11510H Form **1120-S** (2019)

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S Corps

Review 1125-E For Compensation Paid to Officers

– You can be an officer, but not an owner

Form **1125-E** (Rev. October 2016) Department of the Treasury Internal Revenue Service

Compensation of Officers

▶ Attach to Form 1120, 1120-C, 1120-F, 1120-REIT, 1120-RIC, or 1120S.
▶ Information about Form 1125-E and its separate instructions is at *www.irs.gov/form1125e*.

OMB No. 1545-0123

Name: DaVinci Residential Painting Inc.

Employer identification number: 22-1234567

Note: Complete Form 1125-E only if total receipts are $500,000 or more. See instructions for definition of total receipts.

	(a) Name of officer	(b) Social security number (see instructions)	(c) Percent of time devoted to business	Percent of stock owned: (d) Common	Percent of stock owned: (e) Preferred	(f) Amount of compensation
1	John Homeowner	XXX-XX-XXXX	100 %	40 %	%	183,709
2	Neal Diamond	XXX-XX-XXXX	100 %	30 %	%	186,169
3	Patti LaBell	XXX-XX-XXXX	100 %	30 %	%	150,740

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S Corps

Review for W-2 paid from business

– Is this salary income or self-employed income?

– Did we give credit for this income already?

a Employee's SSN XXX-XX-XXXX		b Employer ID No. (EIN) 22-1234567		OMB No. 1545-0008
c Employer's name, address, and ZIP code DAVINCI RESIDENTIAL PAINTING INC. 1200 SISTINE CHAPEL DRIVE WACO TX 76701	1 Wgs, tips, other compn 172579.15	2 Fed inc tax withheld 17642.61	3 Social security wages 132900.00	Form **W-2** **Wage and Tax Statement** **2019**
	4 SS tax withheld 8239.80	5 Medicare wages & tips 183709.41	6 Medicare tax withheld 2663.79	
	7 Social security tips	8 Allocated tips	9	
d Control No.	10 Depdnt care benefits	11 Nonqualified plans	12a D 24500.00	
e Employee's name, address, and ZIP code Suff. JOHN HOMEOWNER 7 GALLOPING HILL ROAD DALLAS TX 75432	13 Statutory employee ☐ Retirement plan ☒ Third-party sick pay ☐	14 Other personal use 2756.79 s/h health 13369.74	12b 12c 12d	**Copy B To Be Filed with Employee's FEDERAL Tax Return** This information is being furnished to the Internal Revenue Service.

15 State	Employer's state ID number	16 State wages, tips, etc	17 State income tax	18 Local wages, tips, etc	19 Local income tax	20 Locality name

Department of the Treasury — IRS

Page 1

Genworth

1120S S Corp

Line 21 Ordinary Income/Loss
$__________

K-1

%

Line 1 Ordinary Income/Loss
$__________

Schedule E page 2

Part II

Schedule 1

Line 5 or 17(2018) Net

Income/Loss Sch.E
Taxed at a personal rate

$__________

S Corp K-1

1	Ordinary business income (loss)
	132,588

16	Items affecting shareholder basis
C	17,214
D	63,634

671119

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0123

Schedule K-1 (Form 1120-S) 2019
Department of the Treasury
Internal Revenue Service

For calendar year 2019, or tax year
beginning / / 2019 ending / /

Shareholder's Share of Income, Deductions, Credits, etc. ▶ See back of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
22-1234567

B Corporation's name, address, city, state, and ZIP code
DaVinci Residential Painting, Inc.
1200 Sistine Chapel Drive
Waco, TX 76701

C IRS Center where corporation filed return
e file

Part II Information About the Shareholder

D Shareholder's identifying number
XXX-XX-XXXX

E Shareholder's name, address, city, state, and ZIP code
John Homeowner
7 Galloping Hill Road
Dallas, TX 75432

F Shareholder's percentage of stock ownership for tax year . . . . 40 %

For IRS Use Only

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	132,588	13	Credits	
			M		1,872
2	Net rental real estate income (loss)				
3	Other net rental income (loss)				
4	Interest income				
5a	Ordinary dividends				
5b	Qualified dividends		14	Foreign transactions	
6	Royalties				
7	Net short-term capital gain (loss)				
8a	Net long-term capital gain (loss)				
8b	Collectibles (28%) gain (loss)				
8c	Unrecaptured section 1250 gain				
9	Net section 1231 gain (loss)				
10	Other income (loss)		15	Alternative minimum tax (AMT) items	
			A		166
11	Section 179 deduction	14,189	16	Items affecting shareholder basis	
			C		17,214
12	Other deductions				
A		[illegible]0	D		63,634
			17	Other information	
			V		118,398
			W		867,417
			X		267,548

18 ☐ More than one activity for at-risk purposes*
19 ☐ More than one activity for passive activity purposes*

Did John Get A Distribution?

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Genworth

Page 2 of K-1 and Page 3 of Form 1120S

16. Items affecting shareholder basis	
A Tax-exempt interest income	Form 1040 or 1040-SR, line 2a
B Other tax-exempt income	See the Shareholder's Instructions
C Nondeductible expenses	See the Shareholder's Instructions
D Distributions	See the Shareholder's Instructions
E Repayment of loans from shareholders	See the Shareholder's Instructions

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1120S S Corp

Line 21 Ordinary Income/Loss

$__________

K-1

%

Line 1 Ordinary Income/Loss

$__________

Schedule E page 2

Part II

Schedule 1

Line 5 or 17(2018) Net

Income/Loss Sch.E

Taxed at a personal rate

$__________

Schedule E Partnerships and S Corps

Schedule E (Form 1040 or 1040-SR) 2019 — Attachment Sequence No. 13 — Page 2

Name(s) shown on return. Do not enter name and social security number if shown on other side.	Your social security number
John & Mary Homeowner	XXX-XX-XXXX

Caution: The IRS compares amounts reported on your tax return with amounts shown on Schedule(s) K-1.

Part II **Income or Loss From Partnerships and S Corporations** – **Note:** If you report a loss, receive a distribution, dispose of stock, or receive a loan repayment from an S corporation, you **must** check the box in column **(e)** on line 28 and attach the required basis computation. If you report a loss from an at-risk activity for which **any** amount is **not** at risk, you **must** check the box in column **(f)** on line 28 and attach **Form 6198** (see instructions).

27 Are you reporting any loss not allowed in a prior year due to the at-risk or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? If you answered "Yes," see instructions before completing this section . . . ☐ Yes ☒ No

28	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if basis computation is required	(f) Check if any amount is not at risk
A	Rehab Addict LLC	P	☐	46-1234567	☐	☐
B	DaVinci Residential Painting Inc.	S	☐	22-1234567	☐	☐
C			☐		☐	☐
D			☐		☐	☐

	Passive Income and Loss		Nonpassive Income and Loss		
	(g) Passive loss allowed (attach Form 8582 if required)	(h) Passive income from Schedule K-1	(i) Nonpassive loss allowed (see Schedule K-1)	(j) Section 179 expense deduction from Form 4562	(k) Nonpassive income from Schedule K-1
A					91,230.
B				14,189.	132,588.
C					
D					
29a Totals					223,818.
b Totals				14,189.	

30	Add columns (h) and (k) of line 29a . . .	30	223,818.
31	Add columns (g), (i), and (j) of line 29b . . .	31	(14,189.)
32	**Total partnership and S corporation income or (loss).** Combine lines 30 and 31 . . .	32	209,629.

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1120S S Corp

Line 21 Ordinary Income/Loss

$__________

K-1

%

Line 1 Ordinary Income/Loss

$__________

Schedule E page 2

Part II

Schedule 1

Line 5 or 17(2018) Net

Income/Loss Sch.E

Taxed at a personal rate

$__________

SCHEDULE 1 (Form 1040 or 1040-SR)
Department of the Treasury Internal Revenue Service

Additional Income and Adjustments to Income

▶ Attach to Form 1040 or 1040-SR.
▶ Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074
2019
Attachment Sequence No. 01

Name(s) shown on Form 1040 or 1040-SR: John & Mary Homeowner
Your social security number: XXX-XX-XXXX

At any time during 2019, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? ☐ Yes ☒ No

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions) ▶		
3	Business income or (loss). Attach Schedule C	3	77,770.
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	209,629.
6	Farm income or (loss). Attach Schedule F	6	
7			
8			
9	Combine lines 1 through 8. Enter here and on Form 1040 or 1040-SR, line 7a	9	287,399.

5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	209,629.

Part II Adjustments to Income

10	Educator expenses	10	
11	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	11	
12	Health savings account deduction. Attach Form 8889	12	
13	Moving expenses for members of the Armed Forces. Attach Form 3903	13	
14	Deductible part of self-employment tax. Attach Schedule SE	14	7,487.
15	Self-employed SEP, SIMPLE, and qualified plans	15	
16	Self-employed health insurance deduction	16	
17	Penalty on early withdrawal of savings	17	
18a	Alimony paid	18a	
b	Recipient's SSN ▶		
c	Date of original divorce or separation agreement (see instructions) ▶		
19	IRA deduction	19	
20	Student loan interest deduction	20	
21	Tuition and fees. Attach Form 8917	21	
22	Add lines 10 through 21. These are your **adjustments to income**. Enter here and on Form 1040 or 1040-SR, line 8a	22	7,487.

For Paperwork Reduction Act Notice, see your tax return instructions. REV 02/23/20 TTW Schedule 1 (Form 1040 or 1040-SR) 2019

ervice (99) ax Return **2019** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)
ne of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is

Last name: Homeowner — Your social security number: XXX-XX-XXXX
Last name: Homeowner — Spouse's social security number: XXX-XX-XXXX

Apt. no.

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse

oreign address, also complete spaces below (see instructions).

Foreign province/state/county | Foreign postal code | If more than four dependents, see instructions and ✓ here ▶ ☐

dent ☐ Your spouse as a dependent
or you were a dual-status alien

55 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1955 ☐ Is blind

(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see instructions): Child tax credit	Credit for other dependents
		☐	☐
		☐	☐
		☐	☐
		☐	☐

	rm(s) W-2			1	172,579.
2a		b Taxable interest. Attach Sch. B if required		2b	1,987.
3a		b Ordinary dividends. Attach Sch. B if required		3b	
4a		b Taxable amount		4b	
4c		d Taxable amount		4d	
5a		b Taxable amount		5b	
6	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐			6	-3,000.
7a	Other income from Schedule 1, line 9			7a	287,399.
b	Add lines 1, 2b, 3b, 4b, 4d, 5b, 6, and 7a. This is your **total income** ▶			7b	458,965.
8a	Adjustments to income from Schedule 1, line 22			8a	7,487.
b	Subtract line 8a from line 7b. This is your **adjusted gross income** ▶			8b	451,478.
9	**Standard deduction or itemized deductions** (from Schedule A)	9	63,332.		
10	Qualified business income deduction. Attach Form 8995 or Form 8995-A	10	28,523.		
11a	Add lines 9 and 10			11a	91,855.
b	**Taxable income.** Subtract line 11a from line 8b. If zero or less, enter -0-			11b	359,623.

• Married filing jointly or Qualifying widow(er), $24,400
• Head of household, $18,350
• If you checked any box under *Standard Deduction*, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Form **1040** (2019)

Page 4 and 7

Freddie Mac Does Not Have a Written Policy Mandating Distributions

Business review and analysis:

The Seller's analysis of the business must support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the Borrower.

- The analysis must include a review of the business tax returns
- The Seller's review must include, at a minimum, an analysis of gross receipts or sales, cost of goods sold and gross profits. All should be typical for the type of business and reflect consistent year over year trends. In addition, the business expenses should be reasonable for the type of business activity and level of business income. Business tenure should be considered.
- The Seller may determine that review and analysis of the business financial statements, business asset statements, and in the case of Partnerships and S corporations, an analysis of the historical cash distributions, is necessary to establish the financial and liquidity standing of the business. In addition, the Seller may calculate and consider the liquidity ratios of the business using generally accepted accounting practices when analyzing the liquidity of the business.

[2]The Seller must determine that the *total stable monthly income* meets the requirements and guidance for the determination of stable monthly income in Topic 5300. This includes, but is not limited to, business review and analysis requirements (Section 5304.1(d)) to support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the Borrower.

https://guide.freddiemac.com/app/guide/content/a_id/1000657

Genworth

Liquidity

Generally Accepted Accounting Principles

For full functionality, download PDF first before entering data. Please download before each calculation as calculators are updated periodically.

Borrower(s) Name(s)

Loan Number

Property Address

Genworth Mortgage Insurance

Calculator and Quick Reference Guide: Liquidity (Acid Test or Quick Ratio)

Please use the following calculator and quick reference guide to assist you in evaluating liquidity from business returns. It provides suggested guidance only and does not replace Lender, Investor or GSE instructions or applicable guidelines. Please note all lines referenced below are from the applicable business return's Schedule L. If a Partnership did not complete a Schedule L (check Form 1065, Schedule B, Question 6 to verify one was not required), you cannot calculate liquidity from the tax form.

	Liquidity (Acid Test or Quick Ratio)	2019	2018
1	Cash *(P/Tship, S-C and Corp: Line 1d)*		
2	Tradenotes/Accounts Receivable Without Bad Debt *(P/Tship, S-C and Corp: Line 2b[d])*		
3	US Government Obligations and/or Tax-Exempt Securities *(Lines 4 and 5)**		
4	Other Current Assets *(Other Marketable Securities; P/Tship, S-C and Corp: Line 6d)**		
5	Accounts Payable *(P/Tship: Line 15d, S-C or Corp: Line 16d)*		
6	Mortgages, Notes or Bonds Payable in Less Than 1 Year *(P/Tship: Line 16d, S-C or Corp: Line 17d)*		
7	Other Current Liabilities *(P/Tship: Line 17d, S-C or Corp: Line 18d)*		
	Acid Test Ratio A result of one or greater is generally sufficient to confirm adequate business liquidity to support the withdrawal of earnings.	0.00 0.00	0.00 0.00

*Check your lender/investor policy on whether to include Government Obligations, Tax-Exempt Securities and/or Other Marketable Securities.

Click gray buttons to calculate result.
Please note: If Lines 5, 6 and 7 total zero, the calculator will show an error message, but the business is solvent.

Liquidity – Current Ratio

Generally Accepted Accounting Principles

For full functionality, download PDF first before entering data. Please download before each calculation as calculators are updated periodically.

Borrower(s) Name(s)	Loan Number

Property Address

Genworth
Mortgage Insurance

Calculator and Quick Reference Guide: Liquidity (Current or Working Capital Ratio)

Please use the following calculator and quick reference guide to assist you in evaluating liquidity from business returns. It provides suggested guidance only and does not replace Lender, Investor or GSE instructions or applicable guidelines. Please note all lines referenced below are from the applicable business return's Schedule L. If a Partnership did not complete a Schedule L (check Form 1065, Schedule B, Question 6 to verify one was not required), you cannot calculate liquidity from the tax form.

	Liquidity (Current or Working Capital Ratio)	2019	2018
1	Cash *(P/Tship, S-C and Corp: Line 1d)*		
2	Tradenotes/Accounts Receivable Without Bad Debt *(P/Tship, S-C and Corp: Line 2b[d])*		
3	Inventories *(Line 3)*		
4	US Government Obligations and/or Tax-Exempt Securities *(Lines 4 and 5)**		
5	Other Current Assets *(Other Marketable Securities; P/Tship, S-C and Corp: Line 6d)**		
6	Accounts Payable *(P/Tship: Line 15d, S-C or Corp: Line 16d)*		
7	Mortgages, Notes or Bonds Payable in Less Than 1 Year *(P/Tship: Line 16d, S-C or Corp: Line 17d)*		
8	Other Current Liabilities *(P/Tship: Line 17d, S-C or Corp: Line 18d)*		
	Current Ratio A result of one or greater is generally sufficient to confirm adequate business liquidity to support the withdrawal of earnings.	*0.00* *0.00*	*0.00* *0.00*

*Check your lender/investor policy on whether to include Government Obligations, Tax-Exempt Securities and/or Other Marketable Securities.

Click gray buttons to calculate result.
Please note: If Lines 6, 7 and 8 total zero, the calculator will show an error message, but the business is solvent.

Balance Sheet

Schedule L Balance Sheets per Books	Beginning of tax year		End of tax year	
Assets	(a)	(b)	(c)	(d)
1 Cash		197,023		237,777
2a Trade notes and accounts receivable	44,010		51,340	
b Less allowance for bad debts	( )	44,010	( )	51,340
3 Inventories		1,418,050		1,757,123
4 U.S. government obligations				
5 Tax-exempt securities (see instructions)		ste 6 286,533		248,226
6 Other current assets (attach statement)				
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (attach statement)				
10a Buildings and other depreciable assets	1,280,352		1,315,825	
b Less accumulated depreciation	(1,245,357)	34,995	(1,286,533)	29,292
11a Depletable assets				
b Less accumulated depletion	( )		( )	
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)				
b Less accumulated amortization	( )		( )	
14 Other assets (attach statement)				
15 Total assets		1,980,611		2,323,758
Liabilities and Shareholders' Equity				
16 Accounts payable		806,602		1,039,320
17 Mortgages, notes, bonds payable in less than 1 year		493,878		592,362
18 Other current liabilities (attach statement)		ste 7 194,544		166,230
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more		108,680		65,464
21 Other liabilities (attach statement)				
22 Capital stock		10,000		10,000
23 Additional paid-in capital				
24 Retained earnings		ste 8 366,907		450,382
25 Adjustments to shareholders' equity (attach statement)				
26 Less cost of treasury stock		( )		( )
27 Total liabilities and shareholders' equity		1,980,611		2,323,758

Form **1120-S** (2019)

Page 33

Balance Sheet

Quick Ratio or Acid Test

Current Assets : (Cash #1 + Acct Receivable #2 + #4+ #5 +Other Current Assets #6)

Current Liabilities: (Acct Pay. #15 + MNB #16 + Other Current Liabilities #17)

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
	Assets	(a)	(b)	(c)	(d)
1	Cash		197,023		237,777
2a	Trade notes and accounts receivable	44,010		51,340	
b	Less allowance for bad debts	( )	44,010	(	51,340
3	Inventories		1,418,050		1,757,123
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)		ste 6 286,533		248,226
6	Other current assets (attach statement)				
	Liabilities and Shareholders' Equity				
16	Accounts payable		806,602		1,039,320
17	Mortgages, notes, bonds payable in less than 1 year		493,878		592,362
18	Other current liabilities (attach statement)		ste 7 194,544		166,230

Current Assets: $237,777 + 51,340 +0 +$248,226+$0 = $537,343

Current Liabilities: $1,039,320 + $592,362+ $166,230 = $1,797,912

.299 - Solvency

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Quick Ratio

Calculator and Quick Reference Guide: Liquidity (Acid Test or Quick Ratio)

Please use the following calculator and quick reference guide to assist you in evaluating liquidity from business returns. It provides suggested guidance only and does not replace Lender, Investor or GSE instructions or applicable guidelines. Please note all lines referenced below are from the applicable business return's Schedule L. If a Partnership did not complete a Schedule L (check Form 1065, Schedule B, Question 6 to verify one was not required), you cannot calculate liquidity from the tax form.

	Liquidity (Acid Test or Quick Ratio)	2019	2018
1	Cash *(P/Tship, S-C and Corp: Line 1d)*	$ 237,777.00	
2	Tradenotes/Accounts Receivable Without Bad Debt *(P/Tship, S-C and Corp: Line 2b[d])*	$ 51,340.00	
3	US Government Obligations and/or Tax-Exempt Securities *(Lines 4 and 5)**	$ 248,226.00	
4	Other Current Assets *(Other Marketable Securities; P/Tship, S-C and Corp: Line 6d)**		
5	Accounts Payable *(P/Tship: Line 15d, S-C or Corp: Line 16d)*	$ 1,039,320.00	
6	Mortgages, Notes or Bonds Payable in Less Than 1 Year *(P/Tship: Line 16d, S-C or Corp: Line 17d)*	$ 592,362.00	
7	Other Current Liabilities *(P/Tship: Line 17d, S-C or Corp: Line 18d)*	$ 166,230.00	
	Acid Test Ratio A result of one or greater is generally sufficient to confirm adequate business liquidity to support the withdrawal of earnings.	*537,343.0 / 1,797,912 0.299*	*0.00 / 0.00*

*Check your lender/investor policy on whether to include Government Obligations, Tax-Exempt Securities and/or Other Marketable Securities.

Click gray buttons to calculate result.
Please note: If Lines 5, 6 and 7 total zero, the calculator will show an error message, but the business is solvent.

S Corp K-1

Let's Put Numbers On Our Tool!

671119

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0123

Schedule K-1 (Form 1120-S) 2019
Department of the Treasury
Internal Revenue Service

For calendar year 2019, or tax year

beginning / / 2019 ending / /

Shareholder's Share of Income, Deductions, Credits, etc. ▶ See back of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
22-1234567

B Corporation's name, address, city, state, and ZIP code
DaVinci Residential Painting, Inc.
1200 Sistine Chapel Drive

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	132,588	13	Credits	
			M		1,872
2	Net rental real estate income (loss)				
3	Other net rental income (loss)				
4	Interest income				
5a	Ordinary dividends				
5b	Qualified dividends		14	Foreign transactions	
6	Royalties				

9. S Corporation Income (Refer to Chapter 5304)
Name of Business: ____________________________

	S Corporation Schedule K-1 (IRS Form 1120S)		2019	2018	NOTES
→	Ordinary business income or loss *(Line 1)*	+/–			
	Net rental real estate income or loss *(Lines 2 and 3)* if verified recurring	+/–			
	Subtotal from Schedule K-1 (IRS Form 1120S)		$0.00	$0.00	

11	Section 179 deduction	14,189	16	Items affecting shareholder basis	
			C		17,214
12	Other deductions				
A		4,160	D		63,634
			17	Other information	
			V		118,398
			W		867,417
			X		267,548

18 ☐ More than one activity for at-risk purposes*
19 ☐ More than one activity for passive activity purposes*

For IRS Use Only

Page 28

Genworth

S Corp K-1

Let's Put Numbers On Our Tool!

2019
$ 237,777.00
$ 51,340.00
$ 248,226.00
$ 1,039,320.00
$ 592,362.00
$ 166,230.00
537,343.0(0.299 1,797,912

1	Ordinary business income (loss) 132,588
2	Net rental real estate income (loss)
3	Other net rental income (loss)

16	Items affecting shareholder basis
C	17,214
D	63,634

671119

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0123

Schedule K-1 (Form 1120-S) 2019
Department of the Treasury
Internal Revenue Service

For calendar year 2019, or tax year
beginning / / 2019 ending / /

Shareholder's Share of Income, Deductions, Credits, etc. ▶ See back of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
22-1234567

B Corporation's name, address, city, state, and ZIP code
DaVinci Residential Painting, Inc.
1200 Sistine Chapel Drive
Waco, TX 76701

C IRS Center where corporation filed return
e file

Part II Information About the Shareholder

D Shareholder's identifying number
XXX-XX-XXXX

E Shareholder's name, address, city, state, and ZIP code
John Homeowner
7 Galloping Hill Road
Dallas, TX 75432

F Shareholder's percentage of stock ownership for tax year . . . . 40 %

Use Only

*

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss) 132,588	13	Credits	M 1,872
2	Net rental real estate income (loss)			
3	Other net rental income (loss)			
4	Interest income			
5a	Ordinary dividends			
5b	Qualified dividends	14	Foreign transactions	
6	Royalties			
7	Net short-term capital gain (loss)			
8a	Net long-term capital gain (loss)			
8b	Collectibles (28%) gain (loss)			
8c	Unrecaptured section 1250 gain			
9	Net section 1231 gain (loss)			
10	Other income (loss)	15	Alternative minimum tax (AMT) items	A 166
11	Section 179 deduction 14,189	16	Items affecting shareholder basis	C 17,214
12	Other deductions A 4,160			D 63,634
		17	Other information	V 118,398
				W 867,417
				X 267,548
18	☐ More than one activity for at-risk purposes*			
19	☐ More than one activity for passive activity purposes*			

Business review and analysis:

The Seller's analysis of the business must support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the Borrower.

- The analysis must include a review of the business tax returns

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S Corp K-1

Let's Put Numbers On Our Tool!

671119

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0123

Schedule K-1 (Form 1120-S) 2019
Department of the Treasury
Internal Revenue Service

For calendar year 2019, or tax year
beginning / / 2019 ending / /

Shareholder's Share of Income, Deductions, Credits, etc. ▶ See back of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
22-1234567

B Corporation's name, address, city, state, and ZIP code
DaVinci Residential Painting, Inc.
1200 Sistine Chapel Drive
Waco, TX 76701

C IRS Center where corporation filed return
e file

Part II Information About the Shareholder

D Shareholder's identifying number

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

1 Ordinary business income (loss) 132,588	13 Credits M 1,872
2 Net rental real estate income (loss)	
3 Other net rental income (loss)	
4 Interest income	
5a Ordinary dividends	
5b Qualified dividends	14 Foreign transactions
6 Royalties	
7 Net short-term capital gain (loss)	
8a Net long-term capital gain (loss)	
8b Collectibles (28%) gain (loss)	
8c Unrecaptured section 1250 gain	
	...ative minimum tax (AMT) items 166
	...s affecting shareholder basis 17,214
	63,634
	17 Other information
	V 118,398
	W 867,417
	X 267,548

For IRS Use O...

18 ☐ More than one activity for at-risk purposes*
19 ☐ More than one activity for passive activity purposes*

9. S Corporation Income (Refer to Chapter 5304)
Name of Business: DaVinci Painting

S Corporation Schedule K-1 (IRS Form 1120S)		2019	2018
Ordinary business income or loss *(Line 1)*	+/-	63,634.00	
Net rental real estate income or loss *(Lines 2 and 3)* if verified recurring	+/-		
Subtotal from Schedule K-1 (IRS Form 1120S)		$63,634.00	$0.00

Page 28

S Corp K-1

Let's Put Numbers On Our Tool!

1	Ordinary business income (loss)	132,588
2	Net rental real estate income (loss)	
3	Other net rental income (loss)	

671119

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0123

Schedule K-1 (Form 1120-S) 2019
Department of the Treasury
Internal Revenue Service

For calendar year 2019, or tax year
beginning / / 2019 ending / /

Shareholder's Share of Income, Deductions, Credits, etc. ▶ See back of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
22-1234567

B Corporation's name, address, city, state, and ZIP code
DaVinci Residential Painting, Inc.
1200 Sistine Chapel Drive
Waco, TX 76701

C IRS Center where corporation filed return
e file

Part II Information About the Shareholder

D Shareholder's identifying number
XXX-XX-XXXX

E Shareholder's name, address, city, state, and ZIP code
John Homeowner
7 Galloping Hill Road

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	132,588	13	Credits	
			M		1,872
2	Net rental real estate income (loss)				
3	Other net rental income (loss)				
4	Interest income				
5a	Ordinary dividends				
5b	Qualified dividends		14	Foreign transactions	
6	Royalties				
7	Net short-term capital gain (loss)				
8a	Net long-term capital gain (loss)				
8b	Collectibles (28%) gain (loss)				
8c	Unrecaptured section 1250 gain				
9	Net section 1231 gain (loss)				
10	Other income (loss)		15	Alternative minimum tax (AMT) items	

18 ☐ More than one activity for at-risk purposes*
19 ☐ More than one activity for passive activity purposes*

9. S Corporation Income (Refer to Chapter 5304)
Name of Business: DaVinci Painting

	S Corporation Schedule K-1 (IRS Form 1120S)		2019	2018
	Ordinary business income or loss *(Line 1)*	+/-	63,634.00	
	Net rental real estate income or loss *(Lines 2 and 3)* if verified recurring	+/-	0.00	
	Subtotal from Schedule K-1 (IRS Form 1120S)		$ 63,634.00	$ 0.00

Page 28

Genworth

S Corporation Form 1120S

	S Corporation Income from IRS Form 1120S		2019
	Depreciation (IRS Form 1120S) *(Line 14)*	+	
	Depreciation (IRS Form 8825) (Guide Section 5304.1(d)) *(Line 14) if applicable*	+	
	Depletion *(Line 15)*	+	
	Amortization or casualty loss *(Review attachment related to Line 19)**	+	
	Mortgage, notes, bonds payable in less than one year (Section 5304.1(d)) *(Schedule L, Line 17d)***	-	
	Other non-recurring income or loss *(Lines 4 and 5)*	+/-	
	Travel and entertainment exclusion *(Schedule M-1, Line 3b)*	-	
	Subtotal Prior to Application of Ownership Interest Percentage		$0.00
	Multiply by total percentage of ownership (on Schedule K -1)	X	
	Subtotal from IRS Form 1120S		$0.00
Combined Total from S Corporation			$0.00

Form **1120-S**
Department of the Treasury
Internal Revenue Service

U.S. Income Tax Return for an S Corporation

► Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.
► Go to *www.irs.gov/Form1120S* for instructions and the latest information.

OMB No. 1545-0123
2019

For calendar year 2019 or tax year beginning , 2019, ending , 20

A S election effective date: 11/04/96
B Business activity code number (see instructions): 339990
C Check if Sch. M-3 attached ☐

TYPE OR PRINT
Name: DaVinci Residential Painting Inc.
Number, street, and room or suite no. If a P.O. box, see instructions.: 1200 Sistine Chapel Drive
City or town, state or province, country, and ZIP or foreign postal code: Waco, TX 76701

D Employer identification number: 22-1234567
E Date incorporated: 09/11/96
F Total assets (see instructions): $ 2,323,758

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☑ No If "Yes," attach Form 2553 if not already filed
H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination or revocation
I Enter the number of shareholders who were shareholders during any part of the tax year ► 5
J Check if corporation: (1) ☐ Aggregated activities for section 465 at-risk purposes (2) ☐ Grouped activities for section 469 passive activity purposes

Caution: Include **only** trade or business income and expenses on lines 1a through 21. See the instructions for more information.

Income	1a	Gross receipts or sales	1a	10,010,213		
	b	Returns and allowances	1b	7,687		
	c	Balance. Subtract line 1b from line 1a			1c	10,002,526
	2	Cost of goods sold (attach Form 1125-A)			2	7,450,176
	3	Gross profit. Subtract line 2 from line 1c			3	2,552,350
	4	Net gain (loss) from Form 4797, line 17 (attach Form 4797)			4	
	5	Other income (loss) (see instructions—attach statement)			5	
	6	**Total income (loss).** Add lines 3 through 5 ►			6	2,552,350
Deductions (see instructions for limitations)	7	Compensation of officers (see instructions—attach Form 1125-E)			7	520,618
	8	Salaries and wages (less employment credits)			8	491,390
	9	Repairs and maintenance			9	12,730
	10	Bad debts			10	
	11	Rents			11	130,738
	12	Taxes and licenses			12	ste 1 50,259
	13	Interest (see instructions)			13	41,741
	14	Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562)			14	5,703
	15				15	
	16	Advertising			16	115,685
	17	Pension, profit-sharing, etc., plans			17	62,273
	18	Employee benefit programs			18	
	19	Other deductions (attach statement)			19	ste 2 789,744
	20	**Total deductions.** Add lines 7 through 19 ►			20	2,220,881
	21	**Ordinary business income (loss).** Subtract line 20 from line 6			21	331,469
Tax and Payments	22a	Excess net passive income or LIFO recapture tax (see instructions)	22a			
	b	Tax from Schedule D (Form 1120-S)	22b			
	c	Add lines 22a and 22b (see instructions for additional taxes)			22c	
	23a	2019 estimated tax payments and 2018 overpayment credited to 2019	23a			
	b	Tax deposited with Form 7004	23b			
	c	Credit for federal tax paid on fuels (attach Form 4136)	23c			
	d	Reserved for future use	23d			
	e	Add lines 23a through 23d			23e	
	24	Estimated tax penalty (see instructions). Check if Form 2220 is attached ► ☐			24	
	25	**Amount owed.** If line 23e is smaller than the total of lines 22c and 24, enter amount owed			25	
	26	**Overpayment.** If line 23e is larger than the total of lines 22c and 24, enter amount overpaid			26	
	27	Enter amount from line 26: **Credited to 2020 estimated tax ►** **Refunded ►**			27	

Sign Here
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
Signature of officer | Date | Title: President
May the IRS discuss this return with the preparer shown below? See instructions. ☑ Yes ☐ No

Paid Preparer Use Only
Print/Type preparer's name: Amy Accountant | Preparer's signature | Date | Check ☐ if self-employed | PTIN: 98765
Firm's name ► Accounts and Daughters LLC. | Firm's EIN ►
Firm's address ► 100 Main Street, Waco, TX 76701 | Phone no.

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11510H Form **1120-S** (2019)

Page 30

S Corporation Form 1120S

S Corporation Income from IRS Form 1120S		2019
Depreciation (IRS Form 1120S) *(Line 14)*	+	5,703.00
Depreciation (IRS Form 8825) (Guide Section 5304.1(d)) *(Line 14) if applicable*	+	
Depletion *(Line 15)*	+	
Amortization or casualty loss *(Review attachment related to Line 19)**	+	
Mortgage, notes, bonds payable in less than one year (Section 5304.1(d)) *(Schedule L, Line 17d)***	-	
Other non-recurring income or loss *(Lines 4 and 5)*	+/-	
Travel and entertainment exclusion *(Schedule M-1, Line 3b)*	-	
Subtotal Prior to Application of Ownership Interest Percentage		$ 5,703.00
Multiply by total percentage of ownership (on Schedule K -1)	X	
Subtotal from IRS Form 1120S		$ 0.00
Combined Total from S Corporation		$ 132,588.00

Form **1120-S** **U.S. Income Tax Return for an S Corporation**
Department of the Treasury Internal Revenue Service
▶ Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.
▶ Go to *www.irs.gov/Form1120S* for instructions and the latest information.
OMB No. 1545-0123 2019

For calendar year 2019 or tax year beginning , 2019, ending , 20

A S election effective date 11/04/96
B Business activity code number (see instructions) 339990
C Check if Sch. M-3 attached ☐
TYPE OR PRINT
Name: DaVinci Residential Painting Inc.
Number, street, and room or suite no. If a P.O. box, see instructions. 1200 Sistine Chapel Drive
City or town, state or province, country, and ZIP or foreign postal code: Waco, TX 76701
D Employer identification number 22-1234567
E Date incorporated 09/11/96
F Total assets (see instructions) $ 2,323,758

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☑ No If "Yes," attach Form 2553 if not already filed
H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination or revocation
I Enter the number of shareholders who were shareholders during any part of the tax year ▶ 5
J Check if corporation: (1) ☐ Aggregated activities for section 465 at-risk purposes (2) ☐ Grouped activities for section 469 passive activity purposes

Caution: Include **only** trade or business income and expenses on lines 1a through 21. See the instructions for more information.

Income	1a	Gross receipts or sales	1a	10,010,213
	b	Returns and allowances	1b	7,687
	c	Balance. Subtract line 1b from line 1a	1c	10,002,526
	2	Cost of goods sold (attach Form 1125-A)	2	7,450,176
	3	Gross profit. Subtract line 2 from line 1c	3	2,552,350
	4	Net gain (loss) from Form 4797, line 17 (attach Form 4797)	4	
	5	Other income (loss) (see instructions—attach statement)	5	
	6	**Total income (loss).** Add lines 3 through 5 ▶	6	2,552,350
Deductions (see instructions for limitations)	7	Compensation of officers (see instructions—attach Form 1125-E)	7	520,618
	8	Salaries and wages (less employment credits)	8	491,390
	9	Repairs and maintenance	9	12,730
	10	Bad debts	10	
	11	Rents	11	130,738
	12	Taxes and licenses	12	ste 1 50,259
	13	Interest (see instructions)	13	[illegible]
	14	Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562)	14	5,703
	15	Depletion (Do not deduct oil and gas depletion.)	15	
	16	Advertising	16	115,685
	17	Pension, profit-sharing, etc., plans	17	62,273
	18	Employee benefit programs	18	
	19	Other deductions (attach statement)	19	ste 2 789,744
	20	**Total deductions.** Add lines 7 through 19 ▶	20	2,220,881
	21	**Ordinary business income (loss).** Subtract line 20 from line 6	21	331,469
Tax and Payments	22a	Excess net passive income or LIFO recapture tax (see instructions)	22a	
	b	Tax from Schedule D (Form 1120-S)	22b	
	c	Add lines 22a and 22b (see instructions for additional taxes)	22c	
	23a	2019 estimated tax payments and 2018 overpayment credited to 2019	23a	
	b	Tax deposited with Form 7004	23b	
	c	Credit for federal tax paid on fuels (attach Form 4136)	23c	
	d	Reserved for future use	23d	
	e	Add lines 23a through 23d	23e	
	24	Estimated tax penalty (see instructions). Check if Form 2220 is attached ▶ ☐	24	
	25	**Amount owed.** If line 23e is smaller than the total of lines 22c and 24, enter amount owed	25	
	26	**Overpayment.** If line 23e is larger than the total of lines 22c and 24, enter amount overpaid	26	
	27	Enter amount from line 26: **Credited to 2020 estimated tax ▶** **Refunded ▶**	27	

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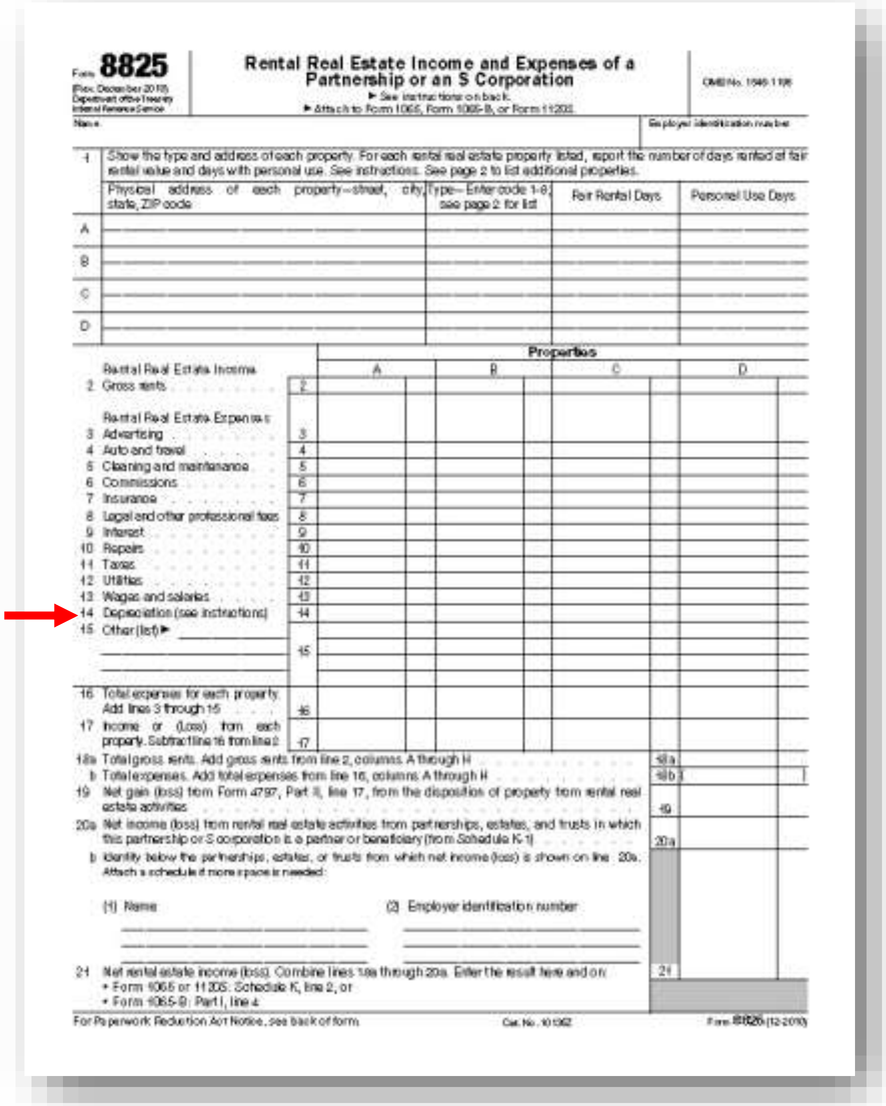
Signature of officer | Date | Title: President
May the IRS discuss this return with the preparer shown below? See instructions. ☑ Yes ☐ No

Paid Preparer Use Only
Print/Type preparer's name: Amy Accountant | Preparer's signature | Date | Check ☐ if self-employed | PTIN 98765
Firm's name ▶ Accounts and Daughters LLC. | Firm's EIN ▶
Firm's address ▶ 100 Main Street, Waco, TX 76701 | Phone no.

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11510H Form **1120-S** (2019)

Page 30

Rental Income – Partnership or S Corps



Form **8825** (Rev. December 2010) Department of the Treasury Internal Revenue Service

Rental Real Estate Income and Expenses of a Partnership or an S Corporation

► See instructions on back.

► Attach to Form 1065, Form 1065-B, or Form 1120S.

OMB No. 1545-1186

Name | Employer identification number

1 Show the type and address of each property. For each rental real estate property listed, report the number of days rented at fair rental value and days with personal use. See instructions. See page 2 to list additional properties.

	Physical address of each property—street, city, state, ZIP code	Type—Enter code 1-8; see page 2 for list	Fair Rental Days	Personal Use Days
A				
B				
C				
D				

		Properties A	B	C	D
Rental Real Estate Income					
2 Gross rents	2				
Rental Real Estate Expenses					
3 Advertising	3				
4 Auto and travel	4				
5 Cleaning and maintenance	5				
6 Commissions	6				
7 Insurance	7				
8 Legal and other professional fees	8				
9 Interest	9				
10 Repairs	10				
11 Taxes	11				
12 Utilities	12				
13 Wages and salaries	13				
14 Depreciation (see instructions)	14				
15 Other (list) ►	15				
16 Total expenses for each property. Add lines 3 through 15	16				
17 Income or (Loss) from each property. Subtract line 16 from line 2	17				

18a Total gross rents. Add gross rents from line 2, columns A through H . . . 18a

b Total expenses. Add total expenses from line 16, columns A through H . . . 18b ( )

19 Net gain (loss) from Form 4797, Part II, line 17, from the disposition of property from rental real estate activities . . . 19

20a Net income (loss) from rental real estate activities from partnerships, estates, and trusts in which this partnership or S corporation is a partner or beneficiary (from Schedule K-1) . . . 20a

b Identify below the partnerships, estates, or trusts from which net income (loss) is shown on line 20a. Attach a schedule if more space is needed:

(1) Name (2) Employer identification number

21 Net rental real estate income (loss). Combine lines 18a through 20a. Enter the result here and on:
• Form 1065 or 1120S: Schedule K, line 2, or
• Form 1065-B: Part I, line 4 . . . 21

For Paperwork Reduction Act Notice, see back of form. Cat. No. 10136Z Form **8825** (12-2010)

No Example

Genworth

S Corporation Form 1120S

	S Corporation Income from IRS Form 1120S		2019
	Depreciation (IRS Form 1120S) *(Line 14)*	+	5,703.00
	Depreciation (IRS Form 8825) (Guide Section 5304.1(d)) *(Line 14) if applicable*	+	0.00
	Depletion *(Line 15)*	+	
	Amortization or casualty loss *(Review attachment related to Line 19)**	+	
	Mortgage, notes, bonds payable in less than one year (Section 5304.1(d)) *(Schedule L, Line 17d)***	-	
	Other non-recurring income or loss *(Lines 4 and 5)*	+/-	
	Travel and entertainment exclusion *(Schedule M-1, Line 3b)*	-	
	Subtotal Prior to Application of Ownership Interest Percentage		$ 5,703.00
	Multiply by total percentage of ownership (on Schedule K-1)	X	
	Subtotal from IRS Form 1120S		$ 0.00
	Combined Total from S Corporation		$ 132588

Form **1120-S** Department of the Treasury Internal Revenue Service

U.S. Income Tax Return for an S Corporation

▶ Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.
▶ Go to *www.irs.gov/Form1120S* for instructions and the latest information.

OMB No. 1545-0123 **2019**

For calendar year 2019 or tax year beginning , 2019, ending , 20

A S election effective date: 11/04/96
B Business activity code number (see instructions): 339990
C Check if Sch. M-3 attached ☐

TYPE OR PRINT
Name: DaVinci Residential Painting Inc.
Number, street, and room or suite no. If a P.O. box, see instructions.: 1200 Sistine Chapel Drive
City or town, state or province, country, and ZIP or foreign postal code: Waco, TX 76701

D Employer identification number: 22-1234567
E Date incorporated: 09/11/96
F Total assets (see instructions): $ 2,323,758

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☑ No If "Yes," attach Form 2553 if not already filed
H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination or revocation
I Enter the number of shareholders who were shareholders during any part of the tax year ▶ 5
J Check if corporation: (1) ☐ Aggregated activities for section 465 at-risk purposes (2) ☐ Grouped activities for section 469 passive activity purposes

Caution: Include **only** trade or business income and expenses on lines 1a through 21. See the instructions for more information.

	Line	Description				Amount
Income	1a	Gross receipts or sales	1a	10,010,213		
	b	Returns and allowances	1b	7,687		
	c	Balance. Subtract line 1b from line 1a			1c	10,002,526
	2	Cost of goods sold (attach Form 1125-A)			2	7,450,176
	3	Gross profit. Subtract line 2 from line 1c			3	2,552,350
	4	Net gain (loss) from Form 4797, line 17 (attach Form 4797)			4	
	5	Other income (loss) (see instructions—attach statement)			5	
	6	**Total income (loss).** Add lines 3 through 5 ▶			6	2,552,350
Deductions (see instructions for limitations)	7	Compensation of officers (see instructions—attach Form 1125-E)			7	520,618
	8	Salaries and wages (less employment credits)			8	491,390
	9	Repairs and maintenance			9	12,730
	10	Bad debts			10	
	11	Rents			11	130,738
	12	Taxes and licenses			12	ste 1 50,259
	13	Interest (see instructions)			13	41,741
	14	Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562)			14	[illegible]
	15	Depletion **(Do not deduct oil and gas depletion.)**			15	
	16	Advertising			16	[illegible]
	17	Pension, profit-sharing, etc., plans			17	62,273
	18	Employee benefit programs			18	
	19	Other deductions (attach statement)			19	ste 2 789,744
	20	**Total deductions.** Add lines 7 through 19 ▶			20	2,220,881
	21	**Ordinary business income (loss).** Subtract line 20 from line 6			21	331,469
Tax and Payments	22a	Excess net passive income or LIFO recapture tax (see instructions)	22a			
	b	Tax from Schedule D (Form 1120-S)	22b			
	c	Add lines 22a and 22b (see instructions for additional taxes)			22c	
	23a	2019 estimated tax payments and 2018 overpayment credited to 2019	23a			
	b	Tax deposited with Form 7004	23b			
	c	Credit for federal tax paid on fuels (attach Form 4136)	23c			
	d	Reserved for future use	23d			
	e	Add lines 23a through 23d			23e	
	24	Estimated tax penalty (see instructions). Check if Form 2220 is attached ▶ ☐			24	
	25	**Amount owed.** If line 23e is smaller than the total of lines 22c and 24, enter amount owed			25	
	26	**Overpayment.** If line 23e is larger than the total of lines 22c and 24, enter amount overpaid			26	
	27	Enter amount from line 26: **Credited to 2020 estimated tax ▶** **Refunded ▶**			27	

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▶ Signature of officer | Date | ▶ President Title | May the IRS discuss this return with the preparer shown below? See instructions. ☑ Yes ☐ No

Paid Preparer Use Only
Print/Type preparer's name: Amy Accountant | Preparer's signature | Date | Check ☐ if self-employed | PTIN 98765
Firm's name ▶ Accounts and Daughters LLC. | Firm's EIN ▶
Firm's address ▶ 100 Main Street, Waco, TX 76701 | Phone no.

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11510H Form **1120-S** (2019)

Page 30

S Corporation Form 1120S

	S Corporation Income from IRS Form 1120S		2019
	Depreciation (IRS Form 1120S) *(Line 14)*	+	5,703.00
	Depreciation (IRS Form 8825) (Guide Section 5304.1(d)) *(Line 14) if applicable*	+	0.00
	Depletion *(Line 15)*	+	0.00
	Amortization or casualty loss *(Review attachment related to Line 19)**	+	
	Mortgage, notes, bonds payable in less than one year (Section 5304.1(d)) *(Schedule L, Line 17d)***	-	
	Other non-recurring income or loss *(Lines 4 and 5)*	+/-	
	Travel and entertainment exclusion *(Schedule M-1, Line 3b)*	-	
	Subtotal Prior to Application of Ownership Interest Percentage		$5,703.00
	Multiply by total percentage of ownership (on Schedule K-1)	X	
	Subtotal from IRS Form 1120S		$0.00
Combined Total from S Corporation			$132,588.00

Form **1120-S** Department of the Treasury Internal Revenue Service

U.S. Income Tax Return for an S Corporation

▶ Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.
▶ Go to *www.irs.gov/Form1120S* for instructions and the latest information.

OMB No. 1545-0123 **2019**

For calendar year 2019 or tax year beginning , 2019, ending , 20

A S election effective date 11/04/96
B Business activity code number (see instructions) 339990
C Check if Sch. M-3 attached ☐

TYPE OR PRINT
Name: DaVinci Residential Painting Inc.
Number, street, and room or suite no. If a P.O. box, see instructions.: 1200 Sistine Chapel Drive
City or town, state or province, country, and ZIP or foreign postal code: Waco, TX 76701

D Employer identification number 22-1234567
E Date incorporated 09/11/96
F Total assets (see instructions) $ 2,323,758

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☑ No If "Yes," attach Form 2553 if not already filed
H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination or revocation
I Enter the number of shareholders who were shareholders during any part of the tax year ▶ 5
J Check if corporation: (1) ☐ Aggregated activities for section 465 at-risk purposes (2) ☐ Grouped activities for section 469 passive activity purposes

Caution: Include **only** trade or business income and expenses on lines 1a through 21. See the instructions for more information.

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	b	Returns and allowances	1b	7,687		
	c	Balance. Subtract line 1b from line 1a			1c	10,002,526
	2	Cost of goods sold (attach Form 1125-A)			2	7,450,176
	3	Gross profit. Subtract line 2 from line 1c			3	2,552,350
	4	Net gain (loss) from Form 4797, line 17 (attach Form 4797)			4	
	5	Other income (loss) (see instructions—attach statement)			5	
	6	**Total income (loss).** Add lines 3 through 5 ▶			6	2,552,350
Deductions (see instructions for limitations)	7	Compensation of officers (see instructions—attach Form 1125-E)			7	520,618
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	10	Bad debts			10	
	11	Rents			11	130,738
	12	Taxes and licenses			12	ste 1 50,259
	13	Interest (see instructions)			13	41,741
	14	Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562)			14	5,703
	15	Depletion **(Do not deduct oil and gas depletion.)**			15	
	16	Advertising			16	115,685
	17	Pension, profit-sharing, etc., plans			17	62,273
	18	Employee benefit programs			18	
	19	Other deductions (attach statement)			19	ste 2 789,744
	21	**Ordinary business income (loss).** Subtract line 20 from line 6			21	331,469
Tax and Payments	22a	Excess net passive income or LIFO recapture tax (see instructions)	22a			
	b	Tax from Schedule D (Form 1120-S)	22b			
	c	Add lines 22a and 22b (see instructions for additional taxes)			22c	
	23a	2019 estimated tax payments and 2018 overpayment credited to 2019	23a			
	b	Tax deposited with Form 7004	23b			
	c	Credit for federal tax paid on fuels (attach Form 4136)	23c			
	d	Reserved for future use	23d			
	e	Add lines 23a through 23d			23e	
	24	Estimated tax penalty (see instructions). Check if Form 2220 is attached ▶ ☐			24	
	25	**Amount owed.** If line 23e is smaller than the total of lines 22c and 24, enter amount owed			25	
	26	**Overpayment.** If line 23e is larger than the total of lines 22c and 24, enter amount overpaid			26	
	27	Enter amount from line 26: **Credited to 2020 estimated tax ▶** **Refunded ▶**			27	

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Signature of officer · Date · Title: President
May the IRS discuss this return with the preparer shown below? See instructions. ☑ Yes ☐ No

Paid Preparer Use Only
Print/Type preparer's name: Amy Accountant · Preparer's signature · Date · Check ☐ if self-employed · PTIN 98765
Firm's name ▶ Accounts and Daughters LLC. · Firm's EIN ▶
Firm's address ▶ 100 Main Street, Waco, TX 76701 · Phone no.

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11510H Form **1120-S** (2019)

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1120S Statement

FORM 1120S	OTHER DEDUCTIONS	STATEMENT 2
DESCRIPTION		AMOUNT
INSURANCE		180,862
CREDIT CARD FEES		252,502
TELEPHONE		56,799
OFFICE EXPENSE		60,201
PROFESSIONAL FEES		41,075
UTILITIES		31,218
MISCELLANEOUS		19,873
INTERNET		122,214
BOARD FEES		25,000
TOTAL TO FORM 1120S, LINE 19		789,744

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1120S Statement

	S Corporation Income from IRS Form 1120S		2019
	Depreciation (IRS Form 1120S) *(Line 14)*	+	5,703.00
	Depreciation (IRS Form 8825) (Guide Section 5304.1(d)) *(Line 14) if applicable*	+	0.00
	Depletion *(Line 15)*	+	0.00
	Amortization or casualty loss *(Review attachment related to Line 19)**	+	0.00
	Mortgage, notes, bonds payable in less than one year (Section 5304.1(d)) *(Schedule L, Line 17d)***	–	
	Other non-recurring income or loss *(Lines 4 and 5)*	+/–	
	Travel and entertainment exclusion *(Schedule M-1, Line 3b)*	–	
	Subtotal Prior to Application of Ownership Interest Percentage		$ 5,703.00
	Multiply by total percentage of ownership (on Schedule K-1)	X	
	Subtotal from IRS Form 1120S		$ 0.00
Combined Total from S Corporation			$ 132,588.00

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Genworth

S Corporation Form 1120S

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
	Assets	(a)	(b)	(c)	(d)
1	Cash		197,023		237,777
2a	Trade notes and accounts receivable	44,010		51,340	
b	Less allowance for bad debts	( )	44,010	( )	51,340
3	Inventories		1,418,050		1,757,123
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)		ste 6 286,533		248,226
6	Other current assets (attach statement)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach statement)				
10a	Buildings and other depreciable assets	1,280,352		1,315,825	
b	Less accumulated depreciation	(1,245,357)	34,995	(1,286,533)	29,292
11a	Depletable assets				
b	Less accumulated depletion	( )		( )	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	( )		( )	
14	Other assets (attach statement)				
15	Total assets		1,980,611		2,323,758
	Liabilities and Shareholders' Equity				
16	Accounts payable		806,602		1,039,320
17	Mortgages, notes, bonds payable in less than 1 year		493,878		592,362
18	Other current liabilities (attach statement)		ste 7 194,544		166,230
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more		108,680		65,464
21	Other liabilities (attach statement)				
22	Capital stock		10,000		10,000
23	Additional paid-in capital				
24	Retained earnings		ste 8 366,907		450,382
25	Adjustments to shareholders' equity (attach statement)				
26	Less cost of treasury stock		( )		( )
27	Total liabilities and shareholders' equity		1,980,611		2,323,758

Form 1120-S (2019)

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Genworth

1120S Statement

	S Corporation Income from IRS Form 1120S		2019
	Depreciation (IRS Form 1120S) *(Line 14)*	+	5,703.00
	Depreciation (IRS Form 8825) (Guide Section 5304.1(d)) *(Line 14) if applicable*	+	0.00
	Depletion *(Line 15)*	+	0.00
	Amortization or casualty loss *(Review attachment related to Line 19)**	+	0.00
	Mortgage, notes, bonds payable in less than one year (Section 5304.1(d)) *(Schedule L, Line 17d)***	-	592,362.00
→	Other non-recurring income or loss *(Lines 4 and 5)*	+/–	
	Travel and entertainment exclusion *(Schedule M-1, Line 3b)*	-	
	Subtotal Prior to Application of Ownership Interest Percentage		$ (586,659.0(
	Multiply by total percentage of ownership (on Schedule K -1)	X	
	Subtotal from IRS Form 1120S		$ 0.00
Combined Total from S Corporation			$ 132,588.00

Page 36

Genworth

S Corporation Form 1120S

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	Depletion *(Line 15)*	+	0.00
	Amortization or casualty loss *(Review attachment related to Line 19)**	+	0.00
	Mortgage, notes, bonds payable in less than one year (Section 5304.1(d)) *(Schedule L, Line 17d)***	-	592,362.00
	Other non-recurring income or loss *(Lines 4 and 5)*	+/-	0.00
	Travel and entertainment exclusion *(Schedule M-1, Line 3b)*	-	
	Subtotal Prior to Application of Ownership Interest Percentage		$ (586,659.0
	Multiply by total percentage of ownership (on Schedule K-1)	X	
	Subtotal from IRS Form 1120S		$ 0.00
Combined Total from S Corporation			$ 132,588.00

Form **1120-S**
Department of the Treasury
Internal Revenue Service

U.S. Income Tax Return for an S Corporation
▶ Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.
▶ Go to *www.irs.gov/Form1120S* for instructions and the latest information.

OMB No. 1545-0123
2019

For calendar year 2019 or tax year beginning , 2019, ending , 20

A S election effective date: 11/04/96
B Business activity code number (see instructions): 339990
C Check if Sch. M-3 attached ☐

TYPE OR PRINT
Name: DaVinci Residential Painting Inc.
Number, street, and room or suite no. If a P.O. box, see instructions.: 1200 Sistine Chapel Drive
City or town, state or province, country, and ZIP or foreign postal code: Waco, TX 76701

D Employer identification number: 22-1234567
E Date incorporated: 09/11/96
F Total assets (see instructions): $ 2,323,758

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☑ No If "Yes," attach Form 2553 if not already filed
H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination or revocation
I Enter the number of shareholders who were shareholders during any part of the tax year ▶ 5
J Check if corporation: (1) ☐ Aggregated activities for section 465 at-risk purposes (2) ☐ Grouped activities for section 469 passive activity purposes

Caution: Include **only** trade or business income and expenses on lines 1a through 21. See the instructions for more information.

Income	1a	Gross receipts or sales	1a	10,010,213		
	b	Returns and allowances	1b	7,687		
	c	Balance. Subtract line 1b from line 1a			1c	10,002,526
	2	Cost of goods sold (attach Form 1125-A)			2	7,450,176
	4	Net gain (loss) from Form 4797, line 17 (attach Form 4797)			4	
	5	Other income (loss) (see instructions—attach statement)			5	
	6	Total income (loss). Add lines 3 through 5 ▶			6	2,552,350
Deductions (see instructions for limitations)	7	Compensation of officers (see instructions—attach Form 1125-E)			7	520,618
	8	Salaries and wages (less employment credits)			8	491,390
	9	Repairs and maintenance			9	12,730
	10	Bad debts			10	
	11	Rents			11	130,738
	12	Taxes and licenses			12	ste 1 50,259
	13	Interest (see instructions)			13	41,741
	14	Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562)			14	5,703
	15	Depletion **(Do not deduct oil and gas depletion.)**			15	
	16	Advertising			16	115,685
	17	Pension, profit-sharing, etc., plans			17	62,273
	18	Employee benefit programs			18	
	19	Other deductions (attach statement)			19	ste 2 789,744
	20	**Total deductions.** Add lines 7 through 19 ▶			20	2,220,881
	21	**Ordinary business income (loss).** Subtract line 20 from line 6			21	331,469
Tax and Payments	22a	Excess net passive income or LIFO recapture tax (see instructions)	22a			
	b	Tax from Schedule D (Form 1120-S)	22b			
	c	Add lines 22a and 22b (see instructions for additional taxes)			22c	
	23a	2019 estimated tax payments and 2018 overpayment credited to 2019	23a			
	b	Tax deposited with Form 7004	23b			
	c	Credit for federal tax paid on fuels (attach Form 4136)	23c			
	d	Reserved for future use	23d			
	e	Add lines 23a through 23d			23e	
	24	Estimated tax penalty (see instructions). Check if Form 2220 is attached ▶ ☐			24	
	25	**Amount owed.** If line 23e is smaller than the total of lines 22c and 24, enter amount owed			25	
	26	**Overpayment.** If line 23e is larger than the total of lines 22c and 24, enter amount overpaid			26	
	27	Enter amount from line 26: **Credited to 2020 estimated tax ▶** **Refunded ▶**			27	

Sign Here
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
Signature of officer | Date | Title: President
May the IRS discuss this return with the preparer shown below? See instructions. ☑ Yes ☐ No

Paid Preparer Use Only
Print/Type preparer's name: Amy Accountant | Preparer's signature | Date | Check ☐ if self-employed | PTIN: 98765
Firm's name ▶ Accounts and Daughters LLC. | Firm's EIN ▶
Firm's address ▶ 100 Main Street, Waco, TX 76701 | Phone no.

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S Corporation Form 1120S

	S Corporation Income from IRS Form 1120S		2019
	Depreciation (IRS Form 1120S) *(Line 14)*	+	5,703.00
	Depreciation (IRS Form 8825) (Guide Section 5304.1(d)) *(Line 14) if applicable*	+	0.00
	Depletion *(Line 15)*	+	0.00
	Amortization or casualty loss *(Review attachment related to Line 19)**	+	0.00
	Mortgage, notes, bonds payable in less than one year (Section 5304.1(d)) *(Schedule L, Line 17d)***	-	592,362.00
	Other non-recurring income or loss *(Lines 4 and 5)*	+/-	0.00
	Travel and entertainment exclusion *(Schedule M-1, Line 3b)*	-	43,035.00
	Subtotal Prior to Application of Ownership Interest Percentage		$ (629,694.0
	Multiply by total percentage of ownership (on Schedule K -1)	X	
	Subtotal from IRS Form 1120S		$ 0.00
Combined Total from S Corporation			$ 132,588.00

Form 1120-S (2019)

Schedule M-1 **Reconciliation of Income (Loss) per Books**
Note: The corporation may be required to file Sche

1	Net income (loss) per books		242,561
2	Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize)		
3	Expenses recorded on books this year not included on Schedule K, lines 1 through 12 and 14p (itemize):		
a	Depreciation $		
b	Travel and entertainment $ ste 10 43,035		43,035
4	Add lines 1 through 3		285,596

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S Corp K-1

How Much Does John Own?

671119

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0123

Schedule K-1 (Form 1120-S) 2019
Department of the Treasury
Internal Revenue Service

For calendar year 2019, or tax year
beginning / / 2019 ending / /

Shareholder's Share of Income, Deductions, Credits, etc. ► See back of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
22-1234567

B Corporation's name, address, city, state, and ZIP code
DaVinci Residential Painting, Inc.
1200 Sistine Chapel Drive
Waco, TX 76701

C IRS Center where corporation filed return
e file

Part II Information About the Shareholder

D Shareholder's identifying number
XXX-XX-XXXX

E Shareholder's name, address, city, state, and ZIP code
John Homeowner
7 Galloping Hill Road
Dallas, TX 75432

F Shareholder's percentage of stock ownership for tax year . . . . . 40 %

For IRS Use Only

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	132,588	13	Credits	
			M		1,872
2	Net rental real estate income (loss)				
3	Other net rental income (loss)				
4	Interest income				
5a	Ordinary dividends				
5b	Qualified dividends		14	Foreign transactions	
6	Royalties				
7	Net short-term capital gain (loss)				
8a	Net long-term capital gain (loss)				
8b	Collectibles (28%) gain (loss)				
8c	Unrecaptured section 1250 gain				
9	Net section 1231 gain (loss)				
10	Other income (loss)		15	Alternative minimum tax (AMT) items	
			A		166
11	Section 179 deduction	14,189	16	Items affecting shareholder basis	
			C		17,214
12	Other deductions				
A		4,160	D		63,634
			17	Other information	
			V		118,398
			W		867,417
			X		267,548

18 ☐ More than one activity for at-risk purposes*
19 ☐ More than one activity for passive activity purposes*

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9. S Corporation Income (Refer to Chapter 5304)
Name of Business: DaVinci Painting

	S Corporation Schedule K-1 (IRS Form 1120S)		2019	2018
	Ordinary business income or loss *(Line 1)*	+/-	63,634.00	
	Net rental real estate income or loss *(Lines 2 and 3)* if verified recurring	+/-	0.00	
	Subtotal from Schedule K-1 (IRS Form 1120S)		$63,634.00	$0.00

	S Corporation Income from IRS Form 1120S		2019	2018
	Depreciation (IRS Form 1120S) *(Line 14)*	+	5,703.00	
	Depreciation (IRS Form 8825) (Guide Section 5304.1(d)) *(Line 14) if applicable*	+	0.00	
	Depletion *(Line 15)*	+	0.00	
	Amortization or casualty loss *(Review attachment related to Line 19)**	+	0.00	
	Mortgage, notes, bonds payable in less than one year (Section 5304.1(d)) *(Schedule L, Line 17d)***	-	592,362.00	
	Other non-recurring income or loss *(Lines 4 and 5)*	+/-	0.00	
	Travel and entertainment exclusion *(Schedule M-1, Line 3b)*	-	43,035.00	
	Subtotal Prior to Application of Ownership Interest Percentage		$(629,694.0	$0.00
	Multiply by total percentage of ownership (on Schedule K -1)	X	40.00	
	Subtotal from IRS Form 1120S		$(251,877.6	$0.00

Combined Total from S Corporation		$(188,243.6	$0.00

IRS Form 1040 (Chapters 5304 and 5305)	2019	2018
Subtotal of W-2 income from self-employment (**Business name:** DaVinci Res Painting)	$ 183,709.00	$ 0.00

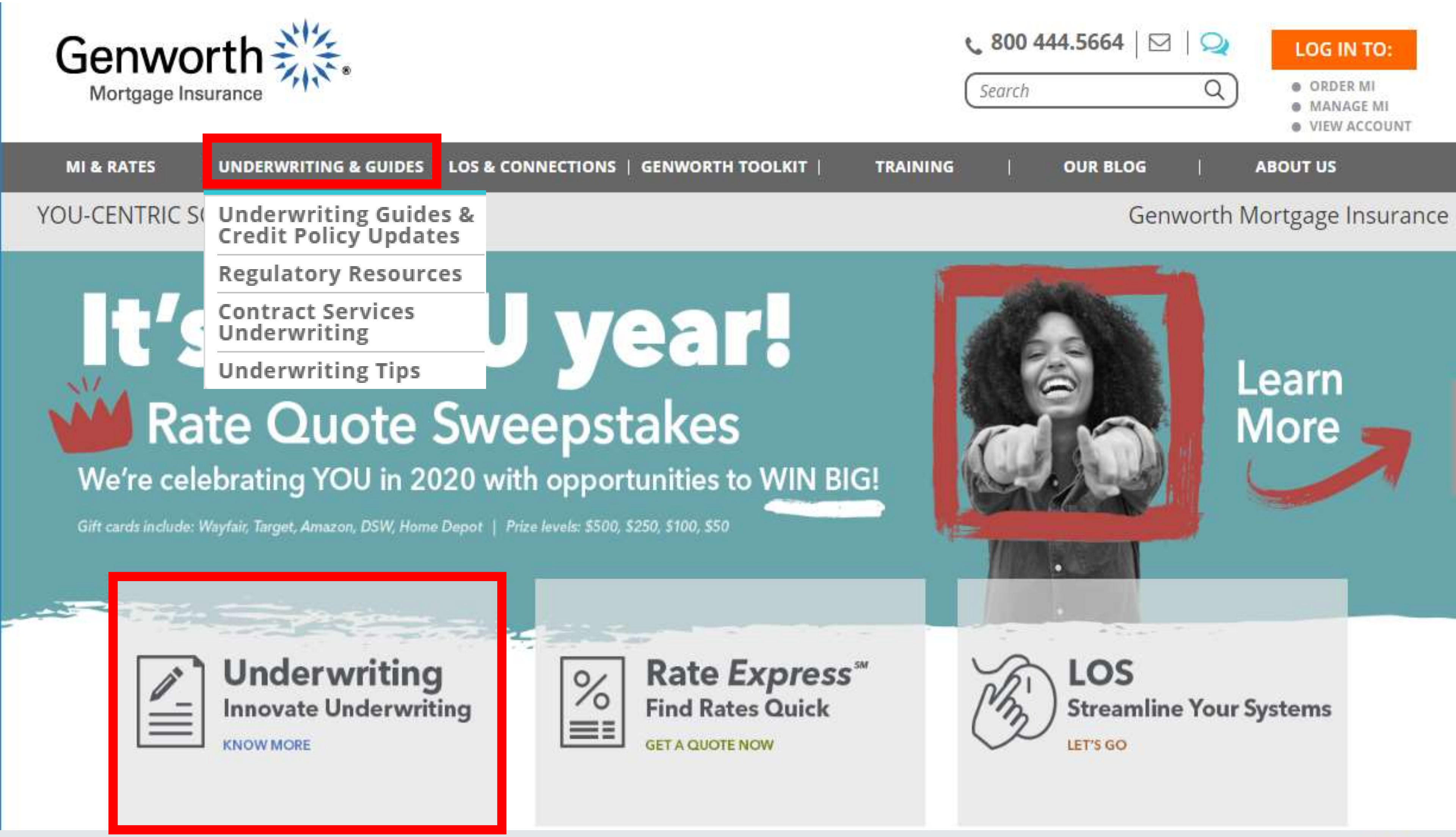
S Corporation Income (Chapter 5304)	2019	2018
Subtotal from Schedule K -1 (IRS Form 1120S)	$ 63,634.00	$ 0.00
Subtotal from IRS Form 1120S	$ (251,877.6(	$ 0.00
Combined Total from S Corporation (Business name: DaVinci Painting **)**	$ (188,243.6(	$ 0.00

Corporate Income from IRS Form 1120 (Chapter 5304)	2019	2018
Subtotal from IRS Form 1120	$ 0.00	$ 0.00
Total from Corporation (Business name:)	$ 0.00	$ 0.00

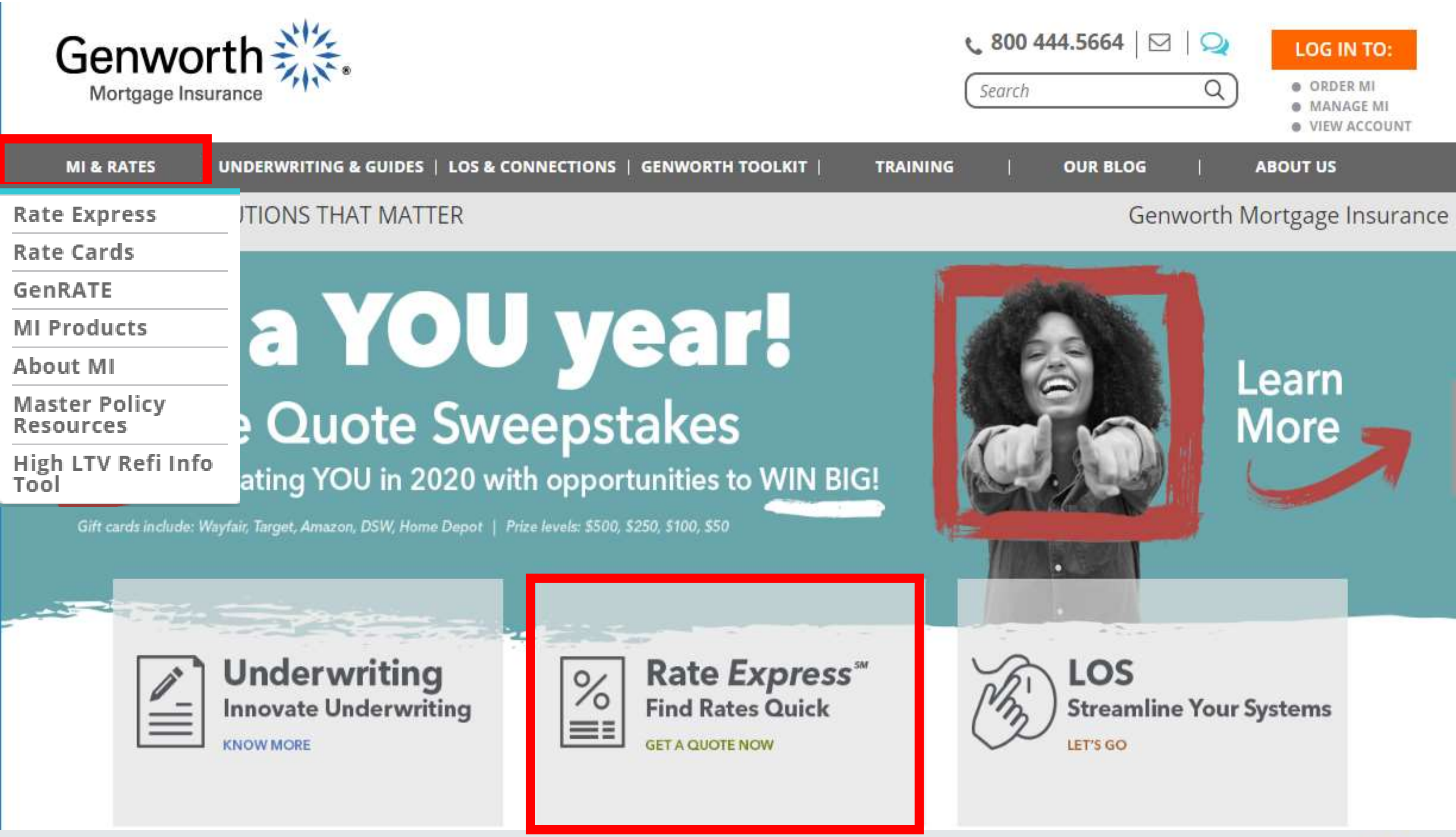
Seller's Calculation of Stable Monthly Income	2019	2018
Sum of combined subtotals	$ (4,534.60)	$ 0.00
Total income for both years Comments:	$ (4,534.60)	
Divided by number of months[1]	12	
Total Stable Monthly Income[2]	$ (377.88)	

Manually Input Data Below if Using a Different Total Income to Determine Stable Monthly Income	
Total Income Used to Determine Stable Monthly Income[1]	$
Comments	
Divided by number of months[1]	
Total Alternate Calculation[2]	$

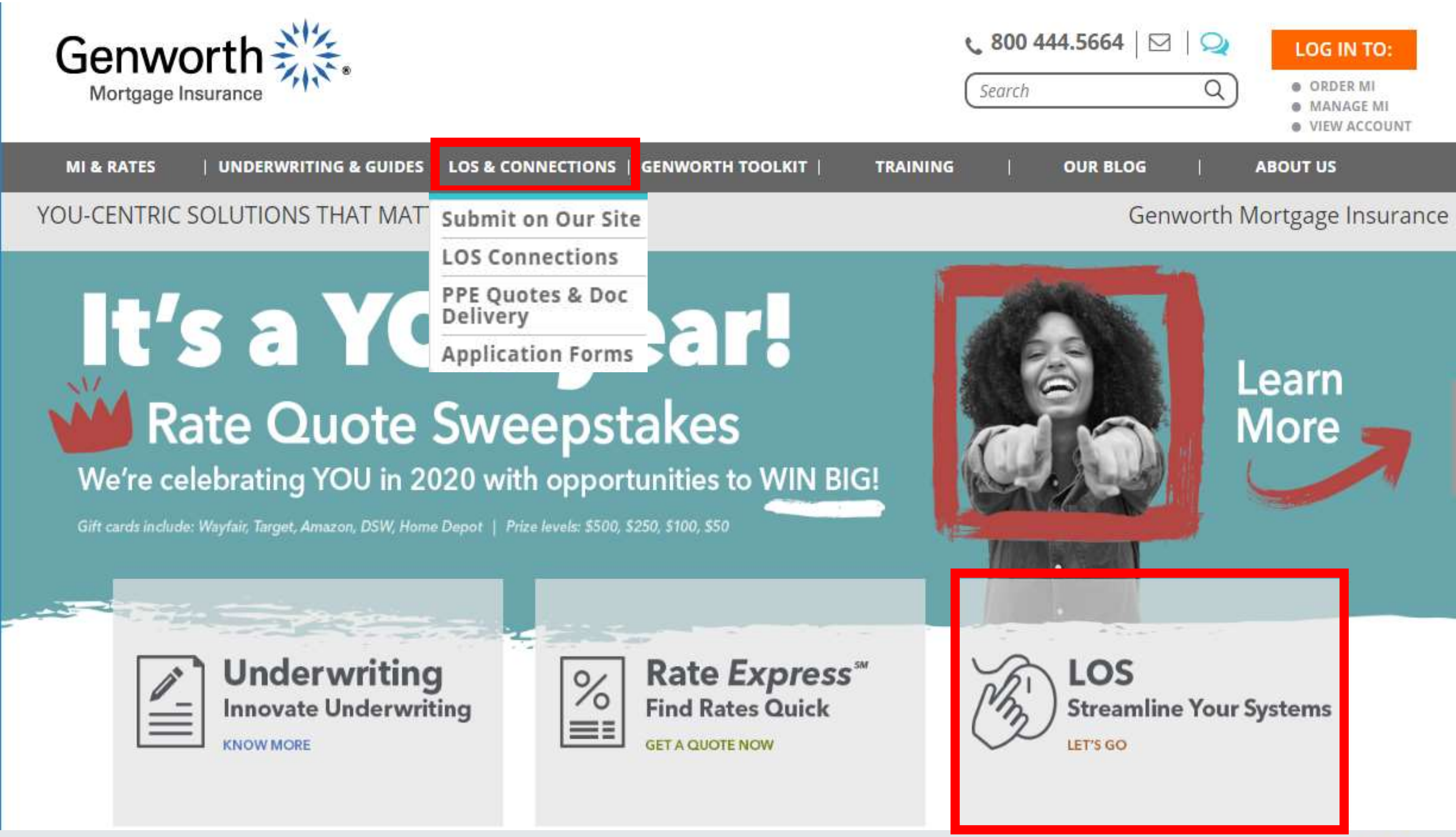
Genworth Underwriting Guidelines



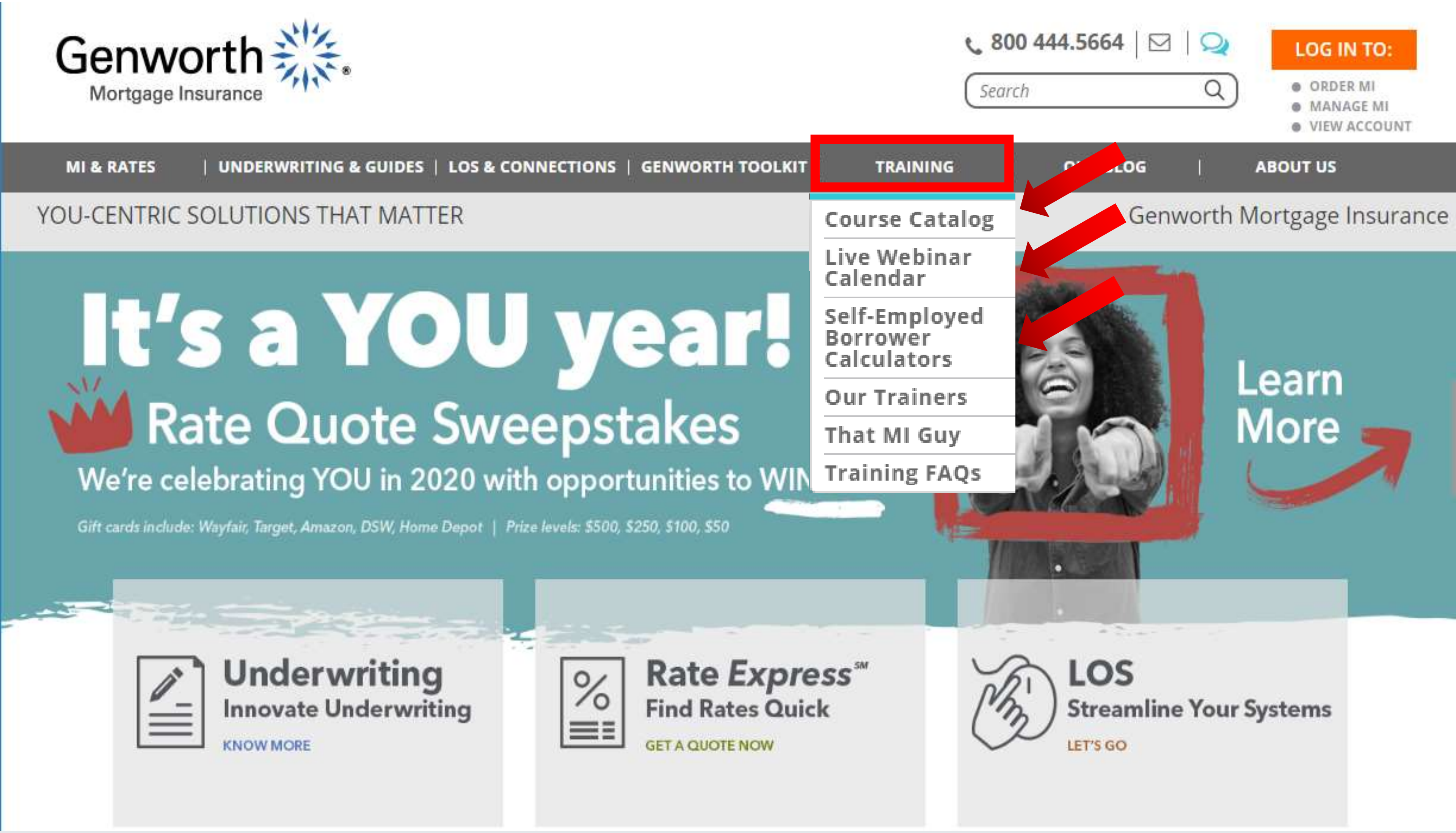
Genworth Rate *Express*®



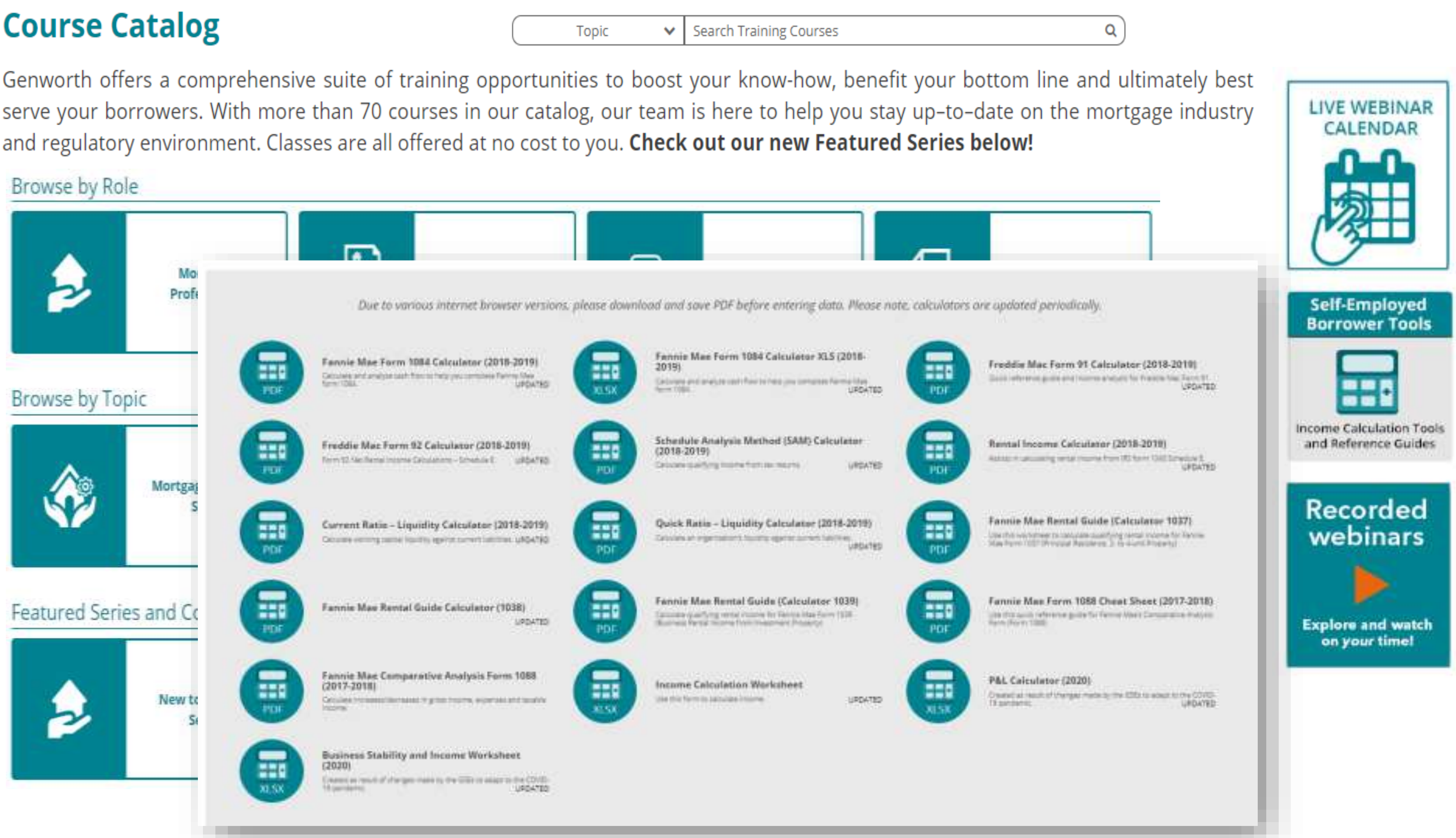
LOS Connections



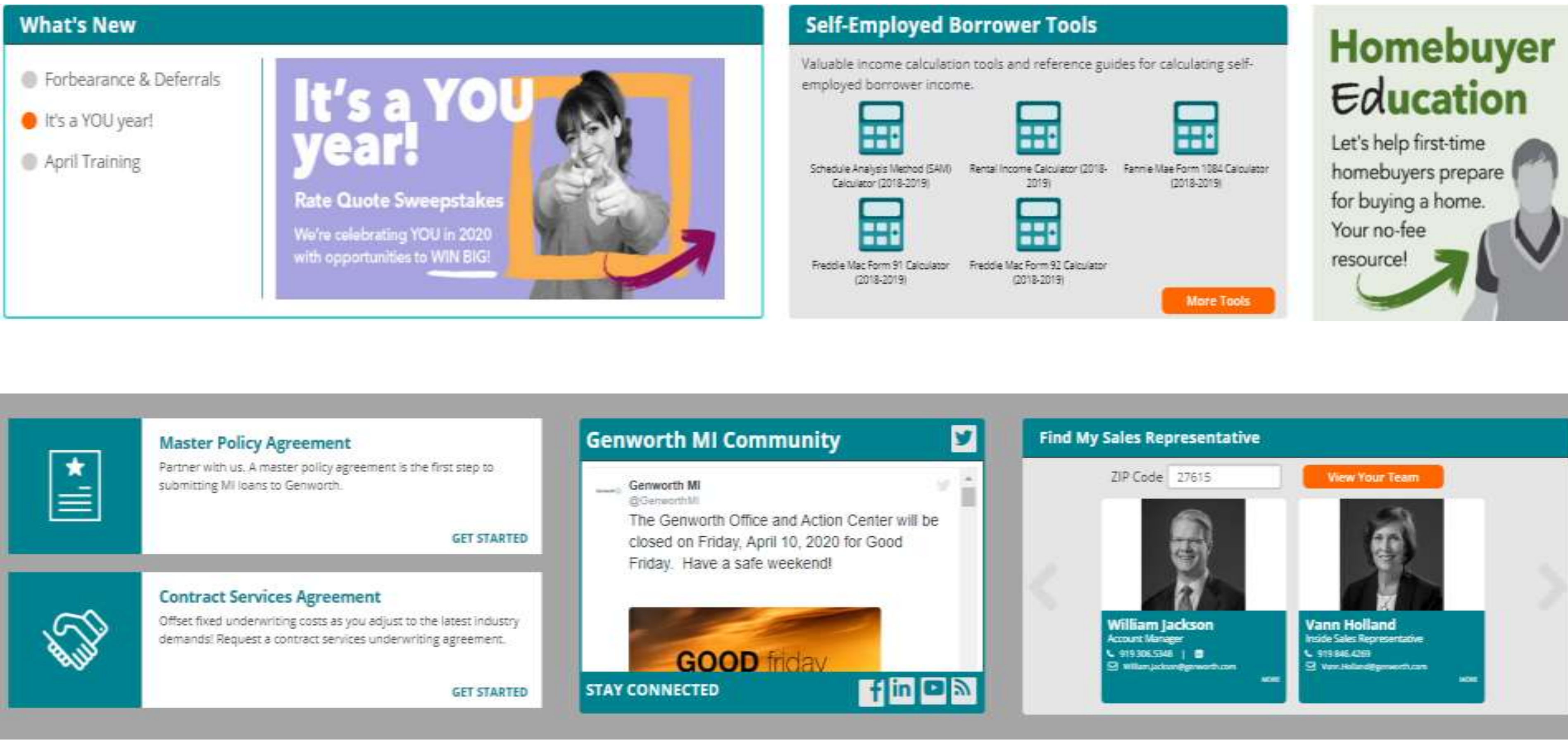
Training Tools and Information



Training Tools and Information



Additional MI Site Information



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- **Your Local Genworth Regional Underwriter**
- **Your Genworth Sales Representative**

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