

Self-Employed Borrower: SAM Form Part I - Personal Tax Returns

March 2021

Customer Education

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YOU-CENTRIC SOLUTIONS THAT MATTER

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

Session Covers Conventional Loans And Today's Session Reviews The Personal Tax Returns; Business Returns Are Reviewed In Part II

Objective

Learn to use the Schedule Analysis Form (SAM) form and calculate supportable self-employed borrower income from personal tax returns

- W-2 wages from a business owned by the borrower
- Schedule B dividends and interest income
- Income from a Schedule C (Sole Proprietor)
- Consideration of Capital Gains & Losses Schedule D
- Net Rental Income from Schedule E

Self-Employment Fannie Mae

B3-3.2-01, Underwriting Factors and Documentation for a Self-Employed Borrower (10/24/2016)

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Introduction

This topic contains general information on underwriting factors and documentation for a self-employed borrower, including:

- [Overview](#)
- [Factors to Consider for a Self-Employed Borrower](#)
- [Length of Self-Employment](#)
- [Verification of Income](#)
- [Analysis of Borrower's Personal Income](#)
- [Analysis of Borrower's Business Income](#)
- [Use of Business Assets](#)
- [Income Verification for Self-Employed Co-Borrowers](#)
- [Verbal Verification of Employment](#)

<https://www.fanniemae.com/content/guide/selling/b3/3.2/01.html>

Self-Employment Fannie Mae

Factors to Consider for a Self-Employed Borrower

Any individual who has a 25% or greater ownership interest in a business is considered to be self-employed.

The following factors must be analyzed before approving a mortgage for a self-employed borrower:

- the stability of the borrower's income,
- the location and nature of the borrower's business,
- the demand for the product or service offered by the business,
- the financial strength of the business, and
- the ability of the business to continue generating and distributing sufficient income to enable the borrower to make the payments on the requested mortgage.

Fannie Mae 2021 Selling Guide B3-3.2-01, Underwriting Factors and Documentation for a Self-Employed Borrower (10/24/2016)

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Analysis of Borrower's Personal Income

The lender must prepare a written evaluation of its analysis of a self-employed borrower's personal income, including the business income or loss, reported on the borrower's individual income tax returns. The purpose of this written analysis is to determine the amount of stable and continuous income that will be available to the borrower. This is not required when a borrower is qualified using only income that is not derived from self-employment and self-employment is a secondary and separate source of income (or loss). Examples of income not derived from self-employment include salary and retirement income.

The lender may use Form 1084 or any other type of cash flow analysis, including automated tools, that applies the same principles as Fannie Mae's form.

A copy of the written analysis must be included as part of any loan application package that the lender submits to Fannie Mae for a mortgage that is selected for a post-purchase quality control review.

The lender may use a Fannie Mae-approved vendor tool to complete the written analysis and calculate self-employment income. The lender may receive representation and warranty enforcement relief of the calculated amount if certain requirements are met. See [A2-2-04, Limited Waiver and Enforcement Relief of Representations and Warranties for Mortgages Submitted to DU \(12/04/2018\)](#) and Fannie Mae's website for the list of [Approved Vendor Tools](#).

Fannie Mae 2021 Selling Guide B3-3.2-01, Underwriting Factors and Documentation for a Self-Employed Borrower (10/24/2016)

Self-Employment Fannie Mae

Analysis of Borrower's Business Income

When a borrower is relying upon self-employed income to qualify for a mortgage and the requirements that permit the lender to waive business tax returns are not met, the lender must prepare a written evaluation of its analysis of the borrower's business income. The lender must evaluate the borrower's business through its knowledge of other businesses in the same industry to confirm the stability of the borrower's business income and estimate the potential for long-term earnings.

The purpose of this analysis is to:

- consider the recurring nature of the business income, including identification of pass-through income that may require additional evaluation;
- measure year-to-year trends for gross income, expenses, and taxable income for the business;
- determine (on a yearly or interim basis) the percentage of gross income attributed to expenses and taxable income; and
- determine a trend for the business based on the change in these percentages over time.

The lender may use Fannie Mae's *Comparative Income Analysis* ([Form 1088](#)) or any other method of trend analysis that enables it to determine a business's viability, as long as the method used fairly presents the viability of the business and results in a degree of accuracy and a conclusion that is comparable to that which would be reached by use of Form 1088.

A copy of the written analysis and conclusions must be retained in the individual mortgage file.

Fannie Mae 2021 Selling Guide B3-3.2-01, Underwriting Factors and Documentation for a Self-Employed Borrower (10/24/2016)

Documentation Matrix

Updated March 2021

Loan Product Advisor® Documentation Matrix Freddie Mac Single-Family

Use the following information as a reference for documenting your Loan Product Advisor loans. For complete documentation information and specific program eligibility requirements, refer to the [Freddie Mac Single-Family Seller/Service Guide \(Guide\)](#). We recommend bookmarking the Guide link (<https://guide.freddiemac.com/smg/guide>) for easy access.*

What Has Changed in this Reference?

This reference is updated to coincide with new and significant changes to documentation requirements announced in Guide Bulletins. Recent changes include:

Topic	Change	Effective Date	Bulletin Announcement
Loan Product Advisor			
Age of the borrower			
Revision 5304.1			
Document verification sources			
Third-party verification			
30-day			

Note: Vertical revision bars "*" are also used in significant changes.
*The Guide on AlRegg is the official electronic version.

March 2021

Freddie Mac Learning

Table of Contents
Income and Employment Documentation
<ul style="list-style-type: none"> General Requirements General Requirements for Documentation Used to Verify Employment and Income Employed Income <ul style="list-style-type: none"> Primary Employment Secondary Employment Additional Employed Income Military Income Income Commencing After the Note Date Self-Employed Income Other Income

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.

[AIM for Income with Loan Product Advisor Job Aid](#)


[AIM for Self Employed with Loan Product Advisor Job Aid](#)

COVID-19 Response Notice:

Visit our [COVID-19 Resources](#) web page for temporary guidance related to credit underwriting and property valuations.

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

Documentation Matrix

<p>Documentation Requirements (Guide Section 5304.1(h))</p> 	<p>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.</p> <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> 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 \geq 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.
	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-2(s) if applicable, for the most recent two years.
<p>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.</p>			

Documentation Matrix

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)		
Self-employed Income (continued)			
Documentation Requirements (continued) (Guide Section 5304.1(h))		Business in existence \geq 5 years ¹	Business in existence < 5 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.
	<p>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.</p> <ul style="list-style-type: none">Refer to the Tax return requirements and age of tax returns section for the minimum documentation requirements based on the Application Received Date and the Note Date for the Mortgage. <p>Refer to Chapter 5304 for complete requirements and guidance.</p>		

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Documentation Matrix

<p>Self-employment disclosed on Form 65, Uniform Residential Loan Application (or other documentation), but not used to qualify (Guide Section 5304.1(e))</p>	<p>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:</p> <ul style="list-style-type: none"> ▪ 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. <p>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:</p> <ul style="list-style-type: none"> ▪ 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. <ul style="list-style-type: none"> - 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.
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Documentation Matrix

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: <ul style="list-style-type: none">▪ 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: <ul style="list-style-type: none">▪ 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: <ul style="list-style-type: none">▪ Preparer of the tax returns for the business (e.g., accountant), provided the preparer has an arm's length relationship with the borrower▪ At least one months' business bank statement that supports the current existence of the business and the level and type of income and expenses reported on the business tax returns
	Date requirements	The verification must be completed prior to the Delivery Date, but no more than 120 days prior to the Note Date

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Documentation Matrix

<p>Excluding Self-employed borrower debt paid by the business (Guide Section 5401.2(b))</p>	<p>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:</p> <ul style="list-style-type: none">▪ 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	<p>Business review and analysis:</p> <p>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.</p> <ul style="list-style-type: none"> ▪ 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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Visit our [COVID-19 Resources](#) web page for temporary guidance related to credit underwriting and property valuations.

<https://guide.freddiemac.com/app/guide/section/5304.1>

Chapter 5304.1(d) Business & Income Analysis

Analysis	
Topic	Requirements and guidance
	<p>Use of business income reported on the Borrower's federal individual income tax returns</p> <ul style="list-style-type: none"> • 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.

COVID-19 Response Notice:

Visit our [COVID-19 Resources](#) web page for temporary guidance related to credit underwriting and property valuations.

<https://guide.freddiemac.com/app/guide/section/5304.1>

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.

COVID-19 Response Notice:

Visit our [COVID-19 Resources](#) web page for temporary guidance related to credit underwriting and property valuations.

<https://guide.freddiemac.com/app/guide/section/5304.1>

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

COVID-19 Response Notice:

Visit our [COVID-19 Resources](#) web page for temporary guidance related to credit underwriting and property valuations.

<https://guide.freddiemac.com/app/guide/section/5304.1>

COVID-19 Guidelines

Fannie Mae and Freddie Mac policies

Fannie Mae LL-2021-03

Effective for applications taken June 11, 2020 and until further notice

Income Analysis

Self-employment income is variable in nature and generally subject to changing market and economic conditions. Whether a business is impacted by an adverse event, such as COVID-19, and the extent to which business earnings are impacted can depend on the nature of the business or the demand for products or services offered by the business. Income from a business that has been negatively impacted by changing conditions is not necessarily ineligible for use in qualifying the borrower. However, the lender is required to determine if the borrower's income is stable and has a reasonable expectation of continuance.

Due to the pandemic's continuing impact on businesses throughout the country, lenders are now required to obtain the following additional documentation to support the decision that the self-employment income meets our requirements:

- an audited year-to-date profit and loss statement reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date; or
- an unaudited year-to-date profit and loss statement signed by the borrower reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date, and three business depository account(s) statements no older than the latest three months represented on the year-to-date profit and loss statement.
 - For example, the business depository account statements can be no older than Aug, Sep, Oct. for a year-to-date profit and loss statement dated through Oct. 31.
 - The lender must review the three most recent depository account statements to support the level of business revenue reported in the current year-to-date profit and loss statement. Otherwise, the lender must obtain additional statements or other documentation to support the on-going nature of business revenue reported in the current year-to-date profit and loss statement.

NOTE: *The year-to-date profit and loss statement must be no older than 60 days old as of the note date consistent with current [Age of Documentation](#) requirements below.*

Updated SEB Profit and Loss FAQ For 2021

Q19. **Is there a minimum time period that must be reported on a profit and loss statement for loan applications taken in 2021? NEW**

For loan applications dated Feb. 1 through Mar. 31, the profit and loss statement (audited or unaudited) must include a minimum three-month look back period to ensure there is sufficient information to determine the extent to which a business has been impacted by COVID-19. This may require reporting of prior and current year details.

Examples

Application Date	The profit and loss statement must report...	When unaudited, depository account statements include...
January 2021	January through December 2020	October, November, December 2020
February 2021	November and December 2020 and January 2021	November and December 2020 and January 2021
June 2021	January through May 2021	March, April, May 2021

Fannie Mae LL-2021-03

Effective for applications taken June 11, 2020 and until further notice

Lenders must review the profit and loss statement, and business depository accounts if required, and other relevant factors to determine the extent to which a business has been impacted by COVID-19. The lender can use the following guidance when performing the assessment of business operations and stability and must complete the business income assessment based on the minimum additional documentation above. In some instances, the lender may find it necessary to obtain supplemental documentation listed in the examples below.

Assessing the Impact of COVID-19	
Business operations	<ul style="list-style-type: none"> ▪ Have business operations been maintained or modified to support continued business income? <i>For example, review an updated business plan.</i> ▪ Is the business continuing to operate in the current location or an alternate location suitable for business operations? <i>For example, perform an Internet search or verify through a third-party source.</i> ▪ Is there a demand for the product or service currently offered by the business? <i>For example, obtain current business receipts or purchase contracts.</i> ▪ Is the business operation and/or revenue temporarily restricted due to state shelter in place, stay at home or other similar state or local orders? ▪ Is the impact to the business operations negligible due to the nature of the business? <i>For example, obtain a written explanation from the business owner or confirmation that income is seasonal apart from the event timeline.</i>

Fannie Mae LL-2021-03

Effective for applications taken June 11, 2020 and until further notice

Assessing the Impact of COVID-19	
Business Income	<p>The lender must complete a business income assessment by comparing the year-to-date net business income from the year-to-date profit and loss statement to historical business income calculated using the <i>Cash Flow Analysis</i> (Form 1084)* for a similar timeframe (such as monthly).</p> <ul style="list-style-type: none"> ▪ Lenders can make standard adjustments to business cash flow (net income on the profit and loss statement) in accordance with B3-3.4-04, Analyzing Profit and Loss Statements when making this determination. ▪ When the lender determines net business income is impacted, but profit and loss details are not sufficient to determine the income is stable at the reduced level, the lender can obtain additional documentation to supplement the profit and loss statement (such as a month-to-month income trending analysis) to make this determination. If stability cannot be confirmed, the income is not eligible for qualifying purposes. See B3-3.1-01, General Income Information for details.
Business Stability	<ul style="list-style-type: none"> ▪ Does the profit and loss identify a significant imbalance between expenses and revenue that may impact financial stability? Or have modifications to current business operations been made to correct this imbalance? (Consider documenting with an updated business plan) ▪ Do prior year business tax returns demonstrate ample financial liquidity due to a history of retained earnings? ▪ Do current business account balances (excluding Paycheck Protection Program (PPP) or other similar COVID-19 related loans or grants) support the financial ability of the business to operate given current market and economic conditions? <p>A current balance sheet may be used to support the lender's determination of business stability, in conjunction with the profit loss statement.</p>

Business Income Calculation Adjustment

Effective for applications taken June 11, 2020 and until further notice

Business Income Calculation Adjustment

When the lender determines current year net business income has been impacted by the COVID-19 pandemic and is

- less than the historical monthly income calculated using Form 1084, but is stable at its current level, the lender must reduce the amount of qualifying income calculated using Form 1084 to no more than the current level of stable income as determined by the lender (see Business Income above).
- more than the historical income calculated using Form 1084, the lender must use no more than the currently stable level of income calculated using Form 1084 to qualify the borrower.

In all cases, qualifying income must be supported by documentation, including any supplemental documentation obtained by the lender.

LL-2021-03

Bulletin 2020-8

Effective for applications taken April 14, 2020 and until further notice

**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

FreddieMac
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 [CHOICERenovationSM Mortgages](#)
- Delivery requirements for ["no-cash-out" refinance Mortgages](#)
- Temporary eligibility requirements related to the purchase of [delinquent Mortgages in foreclosure](#)

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>

Bulletin 2020-44 Amended 2020-19

Effective for applications taken June 11, 2020 and until further notice

Minimum additional documentation requirements

At a minimum, the following additional documentation must be obtained when assessing income from self-employment:

- An unaudited 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
- Three months business account statements no older than the latest three months represented on the YTD profit and loss statement
 - For example, if the YTD profit and loss statement is through September 30, 2020, the business account statements can be no older than for July through September
 - Personal asset account statements evidencing business deposits and expenses may be used when the Borrower is an owner of a small business and does not have a separate business account

Or

- An **audited** YTD profit and loss statement reporting 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.

Note: The Seller may need to obtain additional documentation to supplement the minimum required documentation in order to effectively assess the impact of the pandemic on the business.

Reviewing YTD profit and loss statements, business account statements and other relevant documentation

- The Seller must determine if the business revenue documented in the unaudited YTD profit and loss statement supports the level of revenue documented on the business account statements

https://guide.freddiemac.com/ci/okcsFattach/get/1004034_7

P & L And Bank Statement Updates

Documentation

Q1: [NEW 01.14.21]: The minimum documentation requirements for profit and loss statement coverage reference the term “YTD.” Does this mean that after the calendar year changes (2020 to 2021) that the information from 2020 is no longer required?

The minimum documentation requirement referencing YTD profit and loss statement information coverage applies to the current calendar year based on the Application Received Date; however, for minimum interim coverage to accommodate the turn of the calendar year from 2020 to 2021 (February and March Application Received Dates), the following applies:

As of the Application Received Date and at a minimum, the YTD profit and loss statement information must cover the greater of:

- Three calendar months (which may require reporting of prior and current calendar year information), or
- All of the YTD information for the current calendar year

For example:

Application Received Date	The profit and loss statement must report, at a minimum:	When unaudited, business bank account statements include:
January 2021	January through December 2020	October, November, December 2020
February 2021	November & December 2020 and January 2021	November & December 2020 and January 2021
June 2021	January through May 2021	March, April, May 2021

Reminder: The Seller may need to obtain additional documentation (e.g., complete coverage from 2020 to 2021) to supplement the minimum required documentation in order to effectively assess the impact of the pandemic on the business.

<https://sf.freddiemac.com/general/covid-19-selling-faq>

Bulletin 2020-19

Effective for applications taken June 11, 2020 and until further notice

Reviewing YTD profit & loss statements, business account statements and other relevant 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 below (See next slide)

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

Bulletin 2020-19

Effective for applications taken June 11, 2020 and until further notice

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 the [Business review and analysis](#) section below for additional information regarding relevant factors.
- 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

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

Effective for applications taken June 11, 2020 and until further notice

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 relevant to the business. The Seller's analysis of the business must support the business is financially capable of producing stable monthly income. The Seller must conduct a thorough review and analysis requirements and guidance in the Seller's business plan, including pandemic-related factors which may include, but are not limited to:

- Does the business currently have documented expenses that support the financial ability of the business to continue operating under current economic conditions? Are those assets comprised of cash, accounts receivable, inventory, Small Business Administration (SBA) Payroll Protection Program (PPP) loan, or other government-related program (e.g., federal, State or local level)?

- If the ability of the business to generate revenue has been impacted by the pandemic, have business operations continued business revenue supported by Borrower (e.g., modified business plans) or other sources?
 - Impacts to the business operation, revenue and supply chain that is needed to maintain the product, lack of consumer demand for the product or other factors?
 - Impacts to the business operation, revenue and State shelter-in-place, stay at home or other restrictions?
 - If temporary restrictions have been recently lifted, what level of revenue due to COVID-19-related factors has been operating at this reduced level of revenue for the period to establish income stability and is this documented with more recent business bank account statements evidencing this revenue flow or other equivalent information?
- sheet may be used to support the lender's 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

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

Bulletin 2020-19

Effective for applications taken June 11, 2020 and until further notice

Establishing Stable Monthly Income- continued

<p>The income level has not changed or has increased</p>	<p>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.</p>
<p>The income level has declined</p>	<ul style="list-style-type: none"> • 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:
	<ul style="list-style-type: none"> ➤ 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

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

COVID-19 SEB Training Tools and Training

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COVID-19 Updates For Self-Employment Through November 2020

Highlights the self-employed policy changes through November 13, 2020 for Fannie Mae and Freddie Mac as a result of the COVID-19 pandemic. Covers Freddie Mac Bulletin 2020-19, Bulletin 2020-23, and Fannie Mae Lender Letter 2020-03.

Basic 40 mins

Watch Now

How to Use the Business Stability and Income Calculator for Self-Employed Borrowers

This brief session provides instructions on how to use the new Business Stability and Income Calculator as well as the P&L Calculator for your self-employed borrowers. The tools were created as a result of GSE guideline changes due to the COVID-19 pandemic.

Intermediate 25 mins

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Borrower(s) Name(s) Loan Number
 Property Address



Calculator and Quick Reference Guide: Schedule Analysis Method (SAM)

Please use the following calculator and quick reference guide to assist you in calculating qualifying income from tax returns. It provides suggested guidance only and does not replace Fannie Mae, Freddie Mac, Lender or Investor instructions or applicable guidelines.

I Schedule B - Interest and Dividends From Self Employment		2020	2019	NOTES
1	Recurring Interest Income (Line 1) or Line 2b	+		
2	Recurring Dividend Income (Line 5) or Line 3b	+		
Schedule B Subtotal			\$ 0.00	\$ 0.00

II Schedule C - Sole Proprietorship		2020	2019	NOTES
3	Net Profit or Loss (Line 31)	+/-		
4	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-		
5	Depletion (Line 12)	+		
6	Depreciation (Line 13)	+		
7	Meal and Entertainment Exclusion (Line 24b)	-		
8	Business Use of Home (Line 30, Form 8829)	+		
9	Business Miles, Page 2, Part IV (Line 44a or 4562, Line 30)			
10a	x Depreciation Rate (2020-27e; 2019-26e)		\$ 0.27	\$ 0.26
10b	= Total Mileage Depreciation	+	0.00	0.00
11	Amortization/Casualty Loss only if noted (Page 2, Part V)	+		
Schedule C Subtotal			\$ 0.00	\$ 0.00

III Schedule D - Capital Gains or Losses		2020	2019	NOTES
12	Recurring Capital Gains or Loss, Page 2, (Line 16, Details on Form 8949)*	+/-		*Verify no recurring losses that need to be considered.
Schedule D Subtotal			\$ 0.00	\$ 0.00

IV Schedule E - Supplemental Income and Loss*		2020	2019	NOTES
13	Royalty Income (Line 4)	+		*Rental income is calculated separately and not included with the SAM Form.
14	Total Expenses (Line 20)	-		
15	Depletion (Line 18)	+		
Subtotal			\$ 0.00	\$ 0.00

V Schedule F - Farm Income		2020	2019	NOTES
16	Net Profit or Loss (Line 34)	+/-		
17	Non-Tax Portion Ongoing Co-op & CCC Pmts (Lines 3a-3b; 4a-4b; 6a-6b)	+/-		
18	Nonrecurring Other (Income) or Loss (Lines 5c and 8)	+/-		
19	Depreciation (Line 14)	+		
20	Amortization/Casualty Loss only if noted (Line 32)	+		
21	Business Use of Home only if noted (Line 32)	+		
Farm Income Subtotal			\$ 0.00	\$ 0.00

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 $\geq 25\%$ of a Business?

1b. Current Employment/Self Employment and Income		<input type="checkbox"/> Does not apply
Employer or Business Name _____ Phone (____) ____ - _____		Gross Monthly Income Base \$ _____ /month Overtime \$ _____ /month Bonus \$ _____ /month Commission \$ _____ /month Military Entitlements \$ _____ /month Other \$ _____ /month TOTAL \$ _____ /month
Address _____		
City _____ State _____ Zip _____		
Position or Title _____	Check if this statement applies: <input type="checkbox"/> I am employed by a family member, property seller, real estate agent, or other party to the transaction.	
Start Date ____ / ____ (mm/yyyy)		
How long in this line of work? ____ Years ____ Months		
<input type="checkbox"/> Check if you are the Business Owner or Self-Employed <input type="radio"/> I have an ownership share of less than 25%. <input type="radio"/> I have an ownership share of 25% or more.	Monthly Income (or Loss) \$ _____	

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

You'll Need



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 50% of an LLC called Light It Up (Mary)*
 - *Reported on a 1065 Partnership Return*
 - *Mary receives a K-1*
 - *W-2 wage*
- **Own 33% of an S Corporation called Designing The Future (John)*
 - *Income reported on 1120S Tax Return*
 - *Receives a K-1*

*Covered in part II

- Name, Address, Social
- All pages and schedules, supporting documents such as W-2, 1099
- Look lines 1-8, should you have a supporting document or supporting schedule?

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

IRS Form 1040

Important to Review for:

- Review Line 8 for indication of a Schedule 1
- Schedule 1 report “other income types such as
 - Schedule C sole proprietor
 - Schedule E rental, partnerships
 - Schedule F Farms
 - Unemployment

Form **1040** Department of the Treasury—Internal Revenue Service (99) **2020** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status ☐ Single ☒ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)
Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial: John Last name: Homeowner Your social security number: XXX-XX-XXXX
If joint return, spouse's first name and middle initial: Mary Last name: Homeowner Spouse's social security number: XXX-XX-XXXX

Home address (number and street). If you have a P.O. box, see instructions. Apt. no.:
7 Galloping Hill Road
City, town, or post office. If you have a foreign address, also complete spaces below. State: NJ ZIP code: 07708
Foreign country name: Foreign province/state/country: Foreign postal code:
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

At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? ☐ Yes ☒ No

Standard Deduction Someone can claim: ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: ☐ Were born before January 2, 1956 ☐ Are blind Spouse: ☐ Was born before January 2, 1956 ☐ Is blind

Dependents (see instructions):
If more than four dependents, see instructions and check here ▶ ☐

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> If qualifies for (see instructions): Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	63,400.
2a	Tax-exempt interest	2a	
3a	Qualified dividends	3a	
4a	IRA distributions	4a	
5a	Pensions and annuities	5a	
6a	Social security benefits	6a	
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here	7	-3,000.
8	Other income from Schedule 1, line 9	8	57,267.
9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9	119,235.

Attach Sch. B if required.

Standard Deduction for—
• Single or Married filing separately, \$12,400

2b	Taxable interest	2b	1,568.
3b	Ordinary dividends	3b	
4b	Taxable amount	4b	
5b	Taxable amount	5b	
6b	Taxable amount	6b	

8 Other income from Schedule 1, line 9 **8** 57,267.

c	Add lines 10a and 10b. These are your total adjustments to income	10c	4,741.
11	Subtract line 10c from line 9. This is your adjusted gross income	11	114,494.
12	Standard deduction or itemized deductions (from Schedule A)	12	40,503.
13	Qualified business income deduction. Attach Form 8995 or Form 8995-A	13	10,384.
14	Add lines 12 and 13	14	50,887.
15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-	15	63,607.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Form **1040** (2020)

Does Your Borrower Have Additional Sources Income?

Take a closer look at line 5
Schedule e activity

Is it rental or partnership
or S Corp or both??

If, partnership or S Corp
income, verify you have
the K-1s before continuing

SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040, 1040-SR, or 1040-NR. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.		2020 Attachment Sequence No. 01
Name(s) shown on Form 1040, 1040-SR, or 1040-NR John & Mary Homeowner			Your social security number XXX-XX-XXXX	
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	67,105.	
4	Other gains or (losses). Attach Form 4797	4		
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	-9,838.	
6	Farm income or (loss). Attach Schedule F	6		
7	Unemployment compensation	7		
8	Other income. List type and amount ▶	8		
9	Combine lines 1 through 8. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	9	57,267.	
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	4,741.	
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 deduction. Attach Form 8917	21		
22	Add lines 10 through 21. These are your adjustments to income . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10a	22	4,741.	

For Paperwork Reduction Act Notice, see your tax return instructions. BAA REV 02/15/21 TTW Schedule 1 (Form 1040) 2020

Schedule E Has Two Parts

SCHEDULE E (Form 1040)		Supplemental Income and Loss (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service (IRS)		► Attach to Form 1040, 1040-SR, 1040-NR, or 1041. ► Go to www.irs.gov/ScheduleE for instructions and the latest information.		2020 Attachment Sequence No. 13	
Name(s) shown on return John & Mary Homeowner		Your social security number XXX-XX-XXXX			
Part I Income or Loss From Rental Real Estate and Royalties Note: If you are in the business of renting personal property, use Schedule C. See instructions. If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.					
A Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No B If "Yes," did you or will you file required Form(s) 1099? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					
1a Physical address of each property (street, city, state, ZIP code) A 234C Condo Court Sea Bright NJ 07772 B C					
1b Type of Property (from list below) A 1 B C		2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions. A 366 B C		Fair Rental Days Personal Use Days QJV	
Type of Property: 1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental 2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe)					
Income:		Properties:			
3 Rents received		3	A 35,440.	B	C
4 Royalties received		4			
Expenses:					
5 Advertising		5			
6 Auto and travel (see instructions)		6			
7 Cleaning and maintenance		7	1,980.		
8 Commissions		8			
9 Insurance		9	2,299.		
10 Legal and other professional fees		10	550.		
11 Management fees		11	850.		
12 Mortgage interest paid to banks, etc. (see instructions)		12	7,996.		
13 Other interest		13			
14 Repairs		14	4,500.		
15 Supplies		15	2,199.		
16 Taxes		16	11,211.		
17 Utilities		17	2,697.		
18 Depreciation expense or depletion		18	7,127.		
19 Other (list) ► Association Dues		19	1,800.		
20 Total expenses. Add lines 5 through 19		20	43,209.		
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a loss, see instructions to find out if you must file Form 6198		21	-7,769.		
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)		22	-10,255.		
23a Total of all amounts reported on line 3 for all rental properties		23a	35,440.		
b Total of all amounts reported on line 4 for all royalty properties		23b			
c Total of all amounts reported on line 12 for all properties		23c	7,996.		
d Total of all amounts reported on line 18 for all properties		23d	7,127.		
e Total of all amounts reported on line 20 for all properties		23e	43,209.		
24 Income. Add positive amounts shown on line 21. Do not include any losses		24			
25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here		25	10,255.		
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 5. Otherwise, include this amount in the total on line 41 on page 2		26	-10,255.		

For Paperwork Reduction Act Notice, see the separate instructions. **Schedule E (Form 1040) 2020**

BAA REV 02/15/21 TTW

Schedule E Partnerships and S Corps

Schedule E (Form 1040) 2020

Attachment Sequence No. **13**Page **2**

Name(s) shown on return. Do not enter name and social security number if shown on other side.

John & Mary Homeowner

Your social security number

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	Light It Up, LLC	P	<input type="checkbox"/>	12-1234567	<input type="checkbox"/>	<input type="checkbox"/>
B	Designing the Future, Inc	S	<input type="checkbox"/>	33-1234567	<input type="checkbox"/>	<input type="checkbox"/>
C			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
D			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

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			3,954.		
B				9,732.	14,103.
C					
D					
29a Totals					14,103.
b Totals			3,954.	9,732.	
30 Add columns (h) and (k) of line 29a.				30	14,103.
31 Add columns (g), (i), and (j) of line 29b.				31	(13,686.)
32 Total partnership and S corporation income or (loss). Combine lines 30 and 31				32	417.

1065 K-1

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

2020

For calendar year 2020, or tax year

beginning / / 2020 ending / /

Partner's Share of Income, Deductions,
Credits, etc.

▶ See separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
12-1234567B Partnership's name, address, city, state, and ZIP code
Light It Up, LLC
350 Broad St
Red Bank, NJ 07755

C The county where partnership record is to be filed

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 instructions.)
XXX-XX-XXXXF Name, address, city, state, and ZIP code for partner entered in E. See instructions.
Mary Homeowner
7 Galloping Hill Road, Colts Neck, NJ 07708G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH1 ☐ Domestic partner ☐ Foreign partnerH2 ☐ 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	50.00000 %	50.00000 %
Loss	50.00000 %	50.00000 %
Capital	50.00000 %	50.00000 %
Check if decrease is due to sale or exchange of partnership interest <input type="checkbox"/>		

K Partner's share of liabilities:

	Beginning	Ending
	\$	\$
	\$	\$
	\$	\$

K includes liability amounts from lower tier partnerships.

Partner's Capital Account Analysis

unt . . . \$	54,191
g the year . . . \$	
(loss) . . . \$	-3,954
attach explanation) \$	
ns . . . \$ (
. . . \$	50,237

te 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 \$	

For Paperwork Reduction Act Notice, see Instructions for Form 1065.

www.irs.gov/Form1065

Cat. No. 11304R

Schedule K-1 (Form 1065) 2020

☐ Final K-1 ☐ Amended K-1Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1 Ordinary business income (loss)	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	A -118
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)	
12 Section 179 deduction	20 Other information
13 Other deductions	
14 Self-employment earnings (loss)	
21 <input type="checkbox"/> More than one activity for at-risk purposes*	
22 <input type="checkbox"/> More than one activity for passive activity purposes*	
*See attached statement for additional information.	

For IRS Use Only

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

	Beginning	Ending
Profit	50.00000 %	50.00000 %
Loss	50.00000 %	50.00000 %
Capital	50.00000 %	50.00000 %

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

Double Check for the S Corp Documents

Schedule E (Form 1040) 2020

Attachment Sequence No. **13**Page **2**

Name(s) shown on return. Do not enter name and social security number if shown on other side.

John & Mary Homeowner

Your social security number

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	Light It Up, LLC	P	<input type="checkbox"/>	12-1234567	<input type="checkbox"/>	<input type="checkbox"/>
B	Designing the Future, Inc	S	<input type="checkbox"/>	33-1234567	<input type="checkbox"/>	<input type="checkbox"/>
C			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
D			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

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			3,954.		
B				9,732.	14,103.
C					
D					
29a Totals					14,103.
b Totals			3,954.	9,732.	
30	Add columns (h) and (k) of line 29a.			30	14,103.
31	Add columns (g), (i), and (j) of line 29b.			31	(13,686.)
32	Total partnership and S corporation income or (loss). Combine lines 30 and 31			32	417.

Don't forget to ask for both K-1's. Designing the Future?

1120S K-1

John is 33% owner

Schedule K-1 (Form 1120-S)

Department of the Treasury
Internal Revenue Service

2020

For calendar year 2020, or tax year

beginning / / 2020 ending / /

Shareholder's Share of Income, Deductions, Credits, etc.

▶ See separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
33-1234567

B Corporation's name, address, city, state, and ZIP code

Designing The Future, Inc
109 River Road
Red Bank, NJ 07755

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
Colts Neck, NJ 07708

F Current year allocation percentage 33.33333 %

G Shareholder's number of shares
Beginning of tax year 33
End of tax year 33

H Loans from shareholder
Beginning of tax year \$ 10,366.6667
End of tax year \$ 20,103.6667

For IRS Use Only

☐ Final K-1 ☐ Amended K-1

671120

OMB No. 1545-0123

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

1	Ordinary business income (loss)	13	Credits
2	Net rental real estate income (loss)	14	Foreign transactions
3	Other net rental income (loss)	15	Alternative minimum tax (AMT) items
4	Interest income	16	Items affecting shareholder basis
5a	Ordinary dividends	17	Other information
5b	Qualified dividends	18	More than one activity for at-risk purposes*
6	Royalties	19	More than one activity for passive activity purposes*
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)		
11	Section 179 deduction		
12	Other deductions		
13			
14			
15			
16			
17			
18			
19			

* See attached statement for additional information.

For Paperwork Reduction Act Notice, see the Instructions for Form 1120-S. www.irs.gov/Form1120S Cat. No. 11520D Schedule K-1 (Form 1120-S) 2020

Calculator and Quick Reference Guide

Access your Quick Reference Guide SAM Form and YOUR Case Study

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



Calculator and Quick Reference Guide: Schedule Analysis Method (SAM)

Please use the following calculator and quick reference guide to assist you in calculating qualifying income from tax returns. It provides suggested guidance only and does not replace Fannie Mae, Freddie Mac, Lender or Investor instructions or applicable guidelines.

I Schedule B - Interest and Dividends From Self Employment			2020	2019	NOTES
1	Recurring Interest Income (Line 1) or Line 2b	+			
2	Recurring Dividend Income (Line 5) or Line 3b	+			
Schedule B Subtotal			\$ 0.00	\$ 0.00	

2020 Schedule B

Don't use unless needed for qualifying

- Use ONLY if income is coming from SELF-EMPLOYMENT
- We are only reviewing a one year, so we cannot use!



SCHEDULE B (Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Interest and Ordinary Dividends

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

OMB No. 1545-0074
2020
Attachment Sequence No. 08

Name(s) shown on return
John & Mary Homeowner

Your social security number
XXX-XX-XXXX

Part I

Interest

(See instructions and the instructions for Forms 1040 and 1040-SR, line 2b.)

Note: If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see the instructions and list this interest first. Also, show that buyer's social security number and address ▶

Community Bank

American Credit Union

Designing the Future, Inc

2 Add the amounts on line 1

3 Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815

4 Subtract line 3 from line 2. Enter the result here and on Form 1040 or 1040-SR, line 2b

Note: If line 4 is over \$1,500, you must complete Part III.

Amount

786.

780.

2.

1,568.

1,568.

I Schedule B - Interest and Dividends From Self Employment

	2020	2019	NOTES
1 Recurring Interest Income (Line 1) or Line 2b	0.00		
2 Recurring Dividend Income (Line 5) or Line 3b	0.00		
Schedule B Subtotal	0	\$ 0.00	

substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

6 Add the amounts on line 5. Enter the total here and on Form 1040 or 1040-SR, line 3b

6

SAM Form Section II Schedule C

II Schedule C - Sole Proprietorship			2020	2019	NOTES
3	Net Profit or Loss (Line 31)	+/-			
4	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-			
5	Depletion (Line 12)	+			
6	Depreciation (Line 13)	+			
7	Meal and Entertainment Exclusion (Line 24b)	-			
8	Business Use of Home (Line 30, Form 8829)	+			
9	Business Miles, Page 2, Part IV (Line 44a or 4562, Line 30)				
10a	x Depreciation Rate (2020-27¢; 2019-26¢)		\$ 0.27	\$ 0.26	
10b	= Total Mileage Depreciation	+	0.00	0.00	
11	Amortization/Casualty Loss only if noted (Page 2, Part V)	+		1.00	
Schedule C Subtotal			\$ 0.00	\$ 1.00	

Schedule C

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service (IRS)

Profit or Loss From Business (Sole Proprietorship)

Go to www.irs.gov/ScheduleC for instructions and the latest information.

Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.

OMB No. 1545-0074

2020

Attachment
Sequence No. **09**

Name of proprietor

John Homeowner

Social security number (SSN)

XXX-XX-XXXX

A Principal business or profession, including product or service (see instructions)

Photographer

B Enter code from instructions

15 16 17 18 19 20

C Business name, if no separate business name, leave blank.

Impressive Images

D Employer ID number (EIN) (see instr.)

E Business address (including suite or room no.) 7 Galloping Hill Road

City, town or post office, state, and ZIP code Colts Neck, NJ 07708

F Accounting method: (1) ☒ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶

G Did you "materially participate" in the operation of this business during 2020? If "No," see instructions for limit on losses ☒ Yes ☐ No

H If you started or acquired this business during 2020, check here ☐ Yes ☒ No

I Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions ☐ Yes ☒ No

J If "Yes," did you or will you file required Form(s) 1099? ☐ Yes ☒ No

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/>	1	157,866.
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	157,866.
4	Cost of goods sold (from line 42)	4	
5	Gross profit. Subtract line 4 from line 3	5	157,866.
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	6,755.
7	Gross income. Add lines 5 and 6	7	164,621.

Part II Expenses. Enter expenses for business use of your home only on line 30.

8	Advertising	8	10,877.	18	Office expense (see instructions)	18	
9	Car and truck expenses (see instructions)	9	18,964.	19	Pension and profit-sharing plans	19	
10	Commissions and fees	10		20	Rent or lease (see instructions):		
11	Contract labor (see instructions)	11		a	Vehicles, machinery, and equipment	20a	
12	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	12		b	Other business property	20b	
13	Employee benefit programs (other than on line 19)	13	4,829.	21	Repairs and maintenance	21	
14	Insurance (other than health)	14		22	Supplies (not included in Part III)	22	6,690.
15	Interest (see instructions):			23	Taxes and licenses	23	
a	Mortgage (paid to banks, etc.)	15a		24	Travel and meals:		
				a	Travel	24a	1,200.
				b	Deductible meals (see instructions)	24b	2,327.
				25	Utilities	25	7,211.
				26	Wages (less employment credits)	26	

31 Net profit or (loss). Subtract line 30 from line 29.

- If a profit, enter on both **Schedule 1 (Form 1040), line 3**, and on **Schedule SE, line 2**. (If you checked the box on line 1, see instructions). Estates and trusts, enter on **Form 1041, line 3**.

31

67,105.

and (b) the part of your home used for business: Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30

30 Net profit or (loss). Subtract line 30 from line 29.

If a profit, enter on both **Schedule 1 (Form 1040), line 3**, and on **Schedule SE, line 2**. (If you checked the box on line 1, see instructions). Estates and trusts, enter on **Form 1041, line 3**.

If a loss, you must go to line 32.

32 If you have a loss, check the box that describes your investment in this activity. See instructions.

If you checked 32a, enter the loss on both **Schedule 1 (Form 1040), line 3**, and on **Schedule SE, line 2**. (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on **Form 1041, line 3**.

If you checked 32b, you must attach **Form 6198**. Your loss may be limited.

30 20,851.

31 67,105.

32a ☐ All investment is at risk.

32b ☐ Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions.

7 BAA

REV 02/15/21 TTW

Schedule C (Form 1040) 2020

Schedule C

II Schedule C - Sole Proprietorship			2020	2019
3	Net Profit or Loss (Line 31)	+/-	67,105.00	
4	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-		
5	Depletion (Line 12)	+		
6	Depreciation (Line 13)	+		
7	Meal and Entertainment Exclusion (Line 24b)	-		
8	Business Use of Home (Line 30, Form 8829)	+		
9	Business Miles, Page 2, Part IV (Line 44a or 4562, Line 30)			
10a	x Depreciation Rate (2020-27¢; 2019-26¢)		\$ 0.27	\$ 0.26
10b	= Total Mileage Depreciation	+	0.00	0.00
11	Amortization/Casualty Loss only if noted (Page 2, Part V)	+		1.00
Schedule C Subtotal			\$ 67,105.00	\$ 1.00

Schedule C

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service (IRS)

Profit or Loss From Business (Sole Proprietorship)

Go to www.irs.gov/ScheduleC for instructions and the latest information.

Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.

OMB No. 1545-0074

2020

Attachment
Sequence No. 09

Name of proprietor
John Homeowner

Social security number (SSN)
XXX-XX-XXXX

A Principal business or profession, including product or service (see instructions)
Photographer

B Enter code from instructions
1516161010

C Business name, if no separate business name, leave blank.
Impressive Images

D Employer ID number (EIN) (see instr.)

E Business address (including suite or room no.)
7 Galloping Hill Road
City, town or post office, state, and ZIP code
Colts Neck, NJ 07708

F Accounting method: (1) ☒ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶

G Did you "materially participate" in the operation of this business during 2020? If "No," see instructions for limit on losses. ☒ Yes ☐ No

H If you started or acquired this business during 2020, check here ☐ Yes ☒ No

I Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions ☐ Yes ☒ No

J If "Yes," did you or will you file required Form(s) 1099? ☐ Yes ☒ No

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked. <input type="checkbox"/>	1	157,866.
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	157,866.
4	Cost of goods sold (from line 42)	4	
5	Gross profit. Subtract line 4 from line 3	5	157,866.
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	6,755.
7	Gross income. Add lines 5 and 6	7	164,621.

Part I Income

1 Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked. ☐

2 Returns and allowances

3 Subtract line 2 from line 1

4 Cost of goods sold (from line 42)

5 **Gross profit.** Subtract line 4 from line 3

6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)

7 **Gross income.** Add lines 5 and 6

1 157,866.

2

3 157,866.

4

5 157,866.

6 6,755.

7 164,621.

Examples include:

- Profit from postage, shipping or handling, if you **track it separately**
- **Interest** earned on notes or accounts receivable
- **Bad debts** you deducted in a previous year that were repaid (whole or in part) this year
- **Cash prizes and awards** that your business received, such as a \$500 prize from your local Chamber of Commerce for "Business of the Year"

32 If you have a loss, check the box that describes your investment in this activity. See instructions.

- If you checked 32a, enter the loss on both **Schedule 1 (Form 1040), line 3**, and on **Schedule SE, line 2**. (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on **Form 1041, line 3**.
- If you checked 32b, you **must** attach **Form 6198**. Your loss may be limited.

32a ☐ All investment is at risk.

32b ☐ Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions.

7 BAA

REV 02/15/21 TTW

Schedule C (Form 1040) 2020

Schedule C

II Schedule C - Sole Proprietorship			2020	2019
3	Net Profit or Loss (Line 31)	+/-	67,105.00	
4	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-	(6,755.00)	
5	Depletion (Line 12)	+		
6	Depreciation (Line 13)	+		
7	Meal and Entertainment Exclusion (Line 24b)	-		
8	Business Use of Home (Line 30, Form 8829)	+		
9	Business Miles, Page 2, Part IV (Line 44a or 4562, Line 30)			
10a	x Depreciation Rate (2020-27¢; 2019-26¢)		\$ 0.27	\$ 0.26
10b	= Total Mileage Depreciation	+	0.00	0.00
11	Amortization/Casualty Loss only if noted (Page 2, Part V)	+		1.00
Schedule C Subtotal			\$ 60,350.00	\$ 1.00

Schedule C

Part II Expenses. Enter expenses for business use of your home only on line 30.							
8	Advertising	8	10,877.	18	Office expense (see instructions)	18	
9	Car and truck expenses (see instructions).	9	18,964.	19	Pension and profit-sharing plans	19	
10	Commissions and fees	10		20	Rent or lease (see instructions):		
11	Contract labor (see instructions)	11		a	Vehicles, machinery, and equipment	20a	
12	Depletion	12		b	Other business property	20b	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions).	13	4,829.	21	Repairs and maintenance	21	
14	Employee benefit programs (other than on line 19).	14		22	Supplies (not included in Part III)	22	6,690.
15	Insurance (other than health)	15		23	Taxes and licenses	23	
16	Interest (see instructions):			24	Travel and meals:		
a	Mortgage (paid to banks, etc.)	16a		a	Travel	24a	1,200.
b	Other	16b		b	Deductible meals (see instructions)	24b	2,327.
17	Legal and professional services	17	2,211.	25	Utilities	25	7,211.
28	Total expenses before expenses for business use of home. Add lines 8 through 27a ▶			26	Wages (less employment credits)	26	
29	Tentative profit or (loss). Subtract line 28 from line 7			27a	Other expenses (from line 48)	27a	22,356.
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions.			b	Reserved for future use	27b	
	Simplified method filers only: Enter the total square footage of (a) your home: _____						
	and (b) the part of your home used for business: _____ . Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30					30	20,851.
31	Net profit or (loss). Subtract line 30 from line 29.						
	<ul style="list-style-type: none"> If a profit, enter on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3. 					31	67,105.

Schedule C

II Schedule C - Sole Proprietorship			2020	2019
3	Net Profit or Loss (Line 31)	+/-	67,105.00	
4	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-	(6,755.00)	
5	Depletion (Line 12)	+	0.00	
6	Depreciation (Line 13)	+		
7	Meal and Entertainment Exclusion (Line 24b)	-		
8	Business Use of Home (Line 30, Form 8829)	+		
9	Business Miles, Page 2, Part IV (Line 44a or 4562, Line 30)			
10a	x Depreciation Rate (2020-27¢; 2019-26¢)		\$ 0.27	\$ 0.26
10b	= Total Mileage Depreciation	+	0.00	0.00
11	Amortization/Casualty Loss only if noted (Page 2, Part V)	+		1.00
Schedule C Subtotal			\$ 60,350.00	\$ 1.00

Schedule C

Part II Expenses. Enter expenses for business use of your home only on line 30.							
8	Advertising	8	10,877.	18	Office expense (see instructions)	18	
9	Car and truck expenses (see instructions).	9	18,964.	19	Pension and profit-sharing plans	19	
10	Commissions and fees	10		20	Rent or lease (see instructions):		
11	Contract labor (see instructions)	11		a	Vehicles, machinery, and equipment	20a	
12	Depletion	12		b	Other business property	20b	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions).	13	4,829.	21	Repairs and maintenance	21	
14	Employee benefit programs (other than on line 19).	14		22	Supplies (not included in Part III)	22	6,690.
15	Insurance (other than health)	15		23	Taxes and licenses	23	
16	Interest (see instructions):			24	Travel and meals:		
a	Mortgage (paid to banks, etc.)	16a		a	Travel	24a	1,200.
b	Other	16b		b	Deductible meals (see instructions)	24b	2,327.
17	Legal and professional services	17	2,211.	25	Utilities	25	7,211.
28	Total expenses before expenses for business use of home. Add lines 8 through 27a ▶			26	Wages (less employment credits)	26	
29	Tentative profit or (loss). Subtract line 28 from line 7			27a	Other expenses (from line 48)	27a	22,356.
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. Simplified method filers only: Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30			b	Reserved for future use	27b	
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Schedule 1 (Form 1040), line 3 , and on Schedule SE, line 2 . (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3 .					28	76,665.
						29	87,956.
						30	20,851.
						31	67,105.

Schedule C

II Schedule C - Sole Proprietorship			2020	2019
3	Net Profit or Loss (Line 31)	+/-	67,105.00	
4	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-	(6,755.00)	
5	Depletion (Line 12)	+	0.00	
6	Depreciation (Line 13)	+	4,829.00	
7	Meal and Entertainment Exclusion (Line 24b)	-		
8	Business Use of Home (Line 30, Form 8829)	+		
9	Business Miles, Page 2, Part IV (Line 44a or 4562, Line 30)			
10a	x Depreciation Rate (2020-27¢; 2019-26¢)		\$ 0.27	\$ 0.26
10b	= Total Mileage Depreciation	+	0.00	0.00
11	Amortization/Casualty Loss only if noted (Page 2, Part V)	+		1.00
Schedule C Subtotal			\$ 65,179.00	\$ 1.00

Schedule C

Part II Expenses. Enter expenses for business use of your home

8	Advertising	8	10,877.	18	
9	Car and truck expenses (see instructions).	9	18,964.	19	
10	Commissions and fees	10		20	
11	Contract labor (see instructions)	11		a	Vehicles, machinery, and equipment
12	Depletion	12		b	Other business property
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions).	13	4,829.	21	Repairs and maintenance
14	Employee benefit programs (other than on line 19).	14		22	Supplies (not included in Part III)
15	Insurance (other than health)	15		23	Taxes and licenses
16	Interest (see instructions):			24	Travel and meals:
a	Mortgage (paid to banks, etc.)	16a		a	Travel
b	Other	16b		b	Deductible meals (see instructions)
17	Legal and professional services	17	2,211.	25	Utilities
28	Total expenses before expenses for business use of home. Add lines 8 through 27a ▶			25	Wages (less employment credits)
29	Tentative profit or (loss). Subtract line 28 from line 7			26	Other expenses (from line 48)
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions.			27a	
	Simplified method filers only: Enter the total square footage of (a) your home: _____			b	Reserved for future use
	and (b) the part of your home used for business: _____ . Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30			28	76,665.
31	Net profit or (loss). Subtract line 30 from line 29.			29	87,956.
	• If a profit, enter on both Schedule 1 (Form 1040), line 3 , and on Schedule SE, line 2 . (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3 .			30	20,851.
				31	67,105.

Meals and Entertainment: 50% Limit

Meals while traveling for business, entertaining your business associates at sporting events, shows, nightclubs

Meals and Entertainment: 100% Limit

Company parties and picnics, charitable events, meals for children at a daycare facility

Schedule C

II Schedule C - Sole Proprietorship			2020	2019
3	Net Profit or Loss (Line 31)	+/-	67,105.00	
4	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-	(6,755.00)	
5	Depletion (Line 12)	+	0.00	
6	Depreciation (Line 13)	+	4,829.00	
7	Meal and Entertainment Exclusion (Line 24b)	-	2,327.00	
8	Business Use of Home (Line 30, Form 8829)	+		
9	Business Miles, Page 2, Part IV (Line 44a or 4562, Line 30)			
10a	x Depreciation Rate (2020-27¢; 2019-26¢)		\$ 0.27	\$ 0.26
10b	= Total Mileage Depreciation	+	0.00	0.00
11	Amortization/Casualty Loss only if noted (Page 2, Part V)	+		1.00
Schedule C Subtotal			\$ 62,852.00	\$ 1.00

Schedule C

Part II Expenses. Enter expenses for business use of your home only on line 30.							
8	Advertising	8	10,877.	18	Office expense (see instructions)	18	
9	Car and truck expenses (see instructions).	9	18,964.	19	Pension and profit-sharing plans	19	
10	Commissions and fees	10		20	Rent or lease (see instructions):		
11	Contract labor (see instructions)	11		a	Vehicles, machinery, and equipment	20a	
12	Depletion	12		b	Other business property	20b	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions).	13	4,829.	21	Repairs and maintenance	21	
14	Employee benefit programs (other than on line 19).	14		22	Supplies (not included in Part III)	22	6,690.
15	Insurance (other than health)	15		23	Taxes and licenses	23	
16	Interest (see instructions):			24	Travel and meals:		
a	Mortgage (paid to banks, etc.)	16a		a	Travel	24a	1,200.
b	Other	16b		b	Deductible meals (see instructions)	24b	2,327.
17	Legal and professional services	17	2,211.	25	Utilities	25	7,211.
28	Total expenses before expenses for business use of home. Add lines 8 through 27a ▶			26	Wages (less employment credits)	26	
29	Tentative profit or (loss). Subtract line 28 from line 7			27a	Other expenses (from line 48)	27a	22,356.
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. Simplified method filers only: Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30			b	Reserved for future use	27b	
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Schedule 1 (Form 1040), line 3 , and on Schedule SE, line 2 . (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3 .			28		28	76,665.
				29		29	87,956.
				30		30	20,851.
				31		31	67,105.

Schedule C

II Schedule C - Sole Proprietorship			2020	2019
3	Net Profit or Loss (Line 31)	+/-	67,105.00	
4	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-	(6,755.00)	
5	Depletion (Line 12)	+	0.00	
6	Depreciation (Line 13)	+	4,829.00	
7	Meal and Entertainment Exclusion (Line 24b)	-	2,327.00	
8	Business Use of Home (Line 30, Form 8829)	+	20,851.00	
	Business Miles, Page 2, Part IV (Line 44a or 4562, Line 30)			
10a	x Depreciation Rate (2020-27¢; 2019-26¢)		\$ 0.27	\$ 0.26
10b	= Total Mileage Depreciation	+	0.00	0.00
11	Amortization/Casualty Loss only if noted (Page 2, Part V)	+		1.00
Schedule C Subtotal			\$ 83,703.00	\$ 1.00

Schedule C

Review Line 9 for Car and Truck Expenses

- If there is an entry, look for the math

9 Car and truck expenses (see instructions). 9

9

18,964.

SCHEDULE C
(Form 1040)

Department of the Treasury
Internal Revenue Service (IRS)

Profit or Loss From Business
(Sole Proprietorship)

OMB No. 1545-0074
2020
Attachment
Sequence No. **09**

Go to www.irs.gov/ScheduleC for instructions and the latest information.

Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.

Name of proprietor
John Homeowner

Social security number (SSN)
XXX-XX-XXXX

A Principal business or profession, including product or service (see instructions)
Photographer

B Enter code from instructions
15161600

C Business name, if no separate business name, leave blank.
Impressive Images

D Employer ID number (EIN) (see instr.)

E Business address (including suite or room no.) ▶ 7 Galloping Hill Road
City, town or post office, state, and ZIP code Colts Neck, NJ 07708

F Accounting method: (1) ☒ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶

G Did you "materially participate" in the operation of this business during 2020? If "No," see instructions for limit on losses ☒ Yes ☐ No

H If you started or acquired this business during 2020, check here ☐

I Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions ☐ Yes ☒ No

J If "Yes," did you or will you file required Form(s) 1099? ☐ Yes ☒ No

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/>	1	157,866.
2	Returns and allowances <input type="checkbox"/>	2	
3	Subtract line 2 from line 1	3	157,866.
4	Cost of goods sold (from line 42)	4	
5	Gross profit. Subtract line 4 from line 3	5	157,866.
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	6,755.
7	Gross income. Add lines 5 and 6 ▶	7	164,621.

Part II Expenses. Enter expenses for business use of your home only on line 30.

8	Advertising	8	10,877.	18	Office expense (see instructions)	18	
9	Car and truck expenses (see instructions).	9	18,964.	19	Pension and profit-sharing plans	19	
10	Commissions and fees	10		20	Rent or lease (see instructions):	20	
11		11		a	Vehicles, machinery, and equipment	20a	
12		12		b	Other business property	20b	
13		13	4,829.	21	Repairs and maintenance	21	
14	Employee benefit programs (other than on line 19)	14		22	Supplies (not included in Part III)	22	6,690.
15	Insurance (other than health)	15		23	Taxes and licenses	23	
16	Interest (see instructions):	16		24	Travel and meals:	24	
a	Mortgage (paid to banks, etc.)	16a		a	Travel	24a	1,200.
b	Other	16b		b	Deductible meals (see instructions)	24b	2,327.
17	Legal and professional services	17	2,211.	25	Utilities	25	7,211.
28	Total expenses before expenses for business use of home. Add lines 8 through 27a ▶	28	76,665.	26	Wages (less employment credits)	26	
29	Tentative profit or (loss). Subtract line 28 from line 7	29	87,956.	27a	Other expenses (from line 48)	27a	22,356.
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. Simplified method filers only: Enter the total square footage of (a) your home: and (b) the part of your home used for business: Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30	20,851.	b	Reserved for future use	27b	
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Schedule 1 (Form 1040), line 3 , and on Schedule SE, line 2 . (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3 . • If a loss, you must go to line 32.	31	67,105.				
32	If you have a loss, check the box that describes your investment in this activity. See instructions. • If you checked 32a, enter the loss on both Schedule 1 (Form 1040), line 3 , and on Schedule SE, line 2 . (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on Form 1041, line 3 . • If you checked 32b, you must attach Form 6198 . Your loss may be limited.			32a	<input type="checkbox"/> All investment is at risk.		
				32b	<input type="checkbox"/> Some investment is not at risk.		

For Paperwork Reduction Act Notice, see the separate instructions. 7 BAA REV 02/15/21 TTW Schedule C (Form 1040) 2020

Schedule C

Additional depreciation can be found by multiplying business miles on Schedule C, Line 44a x IRS depreciation factor for that year.

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month/day/year) ▶ _____

44 Of the total number of miles you drove your vehicle during 2020, enter the number of miles you used your vehicle for:

→ a Business _____ b Commuting (see instructions) _____ c Other _____

45 Was your vehicle available for personal use during off-duty hours? ☐ Yes ☐ No

46 Do you (or your spouse) have another vehicle available for personal use? ☐ Yes ☐ No

47a Do you have evidence to support your deduction? ☐ Yes ☐ No

b If "Yes," is the evidence written? ☐ Yes ☐ No

Page 8

If The Schedule C Section IV (On Page 2) Is Blank, Review For An IRS Form 4562 Worksheet

Schedule C

Verify 4562 is for the Schedule C

- Review Page 2 of the worksheet
- Line #30

Form 4562
Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)
▶ Attach to your tax return.
▶ Go to www.irs.gov/Form4562 for instructions and the latest information.

OMB No. 1545-0172
2020
Attachment Sequence No. **179**

Name(s) shown on return: **John & Mary Homeowner**
Business or activity to which this form relates: **Sch C Photographer**
Identifying number: **XXX-XX-XXXX**

Part I Election To Expense Certain Property Under Section 179
Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions)	1	
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2019 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5. See instructions	11	
12	Section 179 expense deduction. Add lines 9 and 10, but don't enter more than line 11	12	2,399.
13	Carryover of disallowed deduction to 2021. Add lines 9 and 10, less line 12	13	

Form 4562
Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)
▶ Attach to your tax return.
▶ Go to www.irs.gov/Form4562 for instructions and the latest information.

OMB No. 1545-0172
2020
Attachment Sequence No. **179**

Name(s) shown on return: **John & Mary Homeowner**
Business or activity to which this form relates: **Sch C Photographer**
Identifying number: **XXX-XX-XXXX**

Section B—Assets Placed in Service During 2020 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
i Nonresidential real property			39 yrs.	MM	S/L	

Section C—Assets Placed in Service During 2020 Tax Year Using the Alternative Depreciation System

(a) Class life	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
20a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 30-year			30 yrs.	MM	S/L	
d 40-year			40 yrs.	MM	S/L	

Part IV Summary (See instructions.)

21	Listed property. Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions	22	7,923.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

For Paperwork Reduction Act Notice, see separate instructions. **BAA** 15
REV 02/15/21 TTW
Form **4562** (2020)

Schedule C

Form 4562 (2020)

Page **2**

Part V Listed Property (Include automobiles, certain other vehicles, certain aircraft, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? ☒ **Yes** ☐ **No** **24b** If "Yes," is the evidence written? ☒ **Yes** ☐ **No**

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost
---	-------------------------------	---	----------------------------	--	------------------------	--------------------------	-------------------------------	---------------------------------

25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use. See instructions . **25**

26 Property used more than 50% in a qualified business use:

Range Rover	01/03/2015	61.47 %						
		%						
		%						

27 Property used 50% or less in a qualified business use:

		%				S/L -		
		%				S/L -		
		%				S/L -		

28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1 . **28**

29 Add amounts in column (i), line 26. Enter here and on line 7, page 1 . **29**

Section B—Information on Use of Vehicles


Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1	(b) Vehicle 2	(c) Vehicle 3	(d) Vehicle 4	(e) Vehicle 5	(f) Vehicle 6
30 Total business/investment miles driven during the year (don't include commuting miles) .	8,244					
31 Total commuting miles driven during the year						
32 Total other personal (noncommuting) miles driven	5,167					
33 Total miles driven during the year. Add lines 30 through 32	13,411					
34 Was the vehicle available for personal use during off-duty hours?	Yes No	Yes No	Yes No	Yes No	Yes No	Yes No
35 Was the vehicle used primarily by a more than 5% owner or related person? . .	X					
36 Is another vehicle available for personal use?	X					

Page 16

Business Miles Of 8,244 x 27¢ Is \$2,225 In Additional Depreciation That Could Be Added Back.

Schedule C

II Schedule C - Sole Proprietorship			2020	2019
3	Net Profit or Loss (Line 31)	+/-	67,105.00	
4	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-	(6,755.00)	
5	Depletion (Line 12)	+	0.00	
6	Depreciation (Line 13)	+	4,829.00	
7	Meal and Entertainment Exclusion (Line 24b)	-	2,327.00	
8	Business Use of Home (Line 30, Form 8829)	+	20,851.00	
9	Business Miles, Page 2, Part IV (Line 44  or 4562, Line 30)			
10a	x Depreciation Rate (2020-27¢; 2019-26¢)		\$ 0.27	\$ 0.26
10b	= Total Mileage Depreciation	+	0.00	0.00
11	Amortization/Casualty Loss only if noted (Page 2, Part V)	+		1.00
Schedule C Subtotal			\$ 83,703.00	\$ 1.00

Schedule C

II Schedule C - Sole Proprietorship			2020	2019
3	Net Profit or Loss (Line 31)	+/-	67,105.00	
4	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-	(6,755.00)	
5	Depletion (Line 12)	+	0.00	
6	Depreciation (Line 13)	+	4,829.00	
7	Meal and Entertainment Exclusion (Line 24b)	-	2,327.00	
8	Business Use of Home (Line 30, Form 8829)	+	20,851.00	
9	Business Miles, Page 2, Part IV (Line 44a or 4562, Line 30)		8,244.00	
10a	x Depreciation Rate (2020-27¢; 2019-26¢)		\$ 0.27	\$ 0.26
10b	= Total Mileage Depreciation	+	2,225.88	0.00
11	Amortization/Casualty Loss only if noted (Page 2, Part V)	+		1.00
Schedule C Subtotal			\$ 85,928.88	\$ 1.00

IRS Publication 463



Department
of the
Treasury
Internal
Revenue
Service

Publication 463
Cat. No. 11081L

Travel, Gift, and Car Expenses

Contents

Future Developments	2
What's New	2
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Traveling Away From Home	3
Tax Home	3

JOURNAL OF
ACCOUNTANCY®

Home

COVID-19

TAX

PRACTICE MANAGEMENT

FINANCIAL REPORTING

AUDIT

incurred.

Under Notice 2020-05, driving for medical care or for certain limited moving expense purposes for members of the armed forces may be deducted at 17 cents per mile, which is 3 cents lower than for 2019.

The TCJA repealed the moving expense deduction for individual taxpayers from 2018 to 2025, except for U.S. armed forces members on active duty who move pursuant to a military order and incident to a permanent change of station to whom Sec. 217(g) applies.

The rate for service to a charitable organization is unchanged, set by statute at 14 cents per mile (Sec. 170(i)).

The portion of the business standard mileage rate that is treated as depreciation will be 27 cents per mile for 2020, 1 cent more than 2019, one of the few amounts that is increasing.

2001-2002	0.15
2000	0.14

<https://www.journalofaccountancy.com/news/2020/jan/2020-irs-mileage-rates-22724.html#:~:text=The%20rate%20for%20service%20to,few%20amounts%20that%20is%20increasing>.

Schedule C

Enter only the \$2,807 amortization/casualty loss on your calculator

Part V Other Expenses. List below business expenses not included on lines 8–26 or line 30.

Shipping & Postage	4,399.
Outside Services	15,000.
Amortization	2,007.
Printing	150.
Casualty Loss/Theft Claim	800.
48 Total other expenses. Enter here and on line 27a	48 22,356.

REV 02/15/21 TTW

Schedule C (Form 1040) 2020

Schedule C

II Schedule C - Sole Proprietorship			2020	2019
3	Net Profit or Loss (Line 31)	+/-	67,105.00	
4	Nonrecurring Other (Income) Loss or Expenses (Line 6)	+/-	(6,755.00)	
5	Depletion (Line 12)	+	0.00	
6	Depreciation (Line 13)	+	4,829.00	
7	Meal and Entertainment Exclusion (Line 24b)	-	2,327.00	
8	Business Use of Home (Line 30, Form 8829)	+	20,851.00	
9	Business Miles, Page 2, Part IV (Line 44a or 4562, Line 30)		8,244.00	
10a	x Depreciation Rate (2020-27¢; 2019-26¢)		\$ 0.27	\$ 0.26
10b	= Total Mileage Depreciation	+	2,225.88	0.00
11	Amortization/Casualty Loss only if noted (Page 2, Part V)	+	2,807.00	1.00
Schedule C Subtotal		→	\$ 88,735.88	\$ 1.00

SAM Form Section III

III Schedule D - Capital Gains or Losses			2020	2019	NOTES
12	Recurring Capital Gains or Loss, <i>Page 2, (Line 16, Details on Form 8949)*</i>	+/-			*Verify no recurring losses that need to be considered.
Schedule D Subtotal			\$ 0.00	\$ 0.00	

Don't Use If You Don't Need; If Needed To Qualify Check Investor Guidelines

Schedule D Capital Gains

Try to not unless needed for qualifying

- Two-year history, stable receipt and likely to continue
- Check investor overlays before using
- Let's review IRS Form 1040, Line 7 to see what was reported
- Our 2020 example show \$3,000 loss

SCHEDULE D (Form 1040) Capital Gains and Losses

OMB No. 1545-0074
2020
Attachment Sequence No. 12

Department of the Treasury Internal Revenue Service (99)

▶ Attach to Form 1040, 1040-SR, or 1040-NR.
▶ Go to www.irs.gov/ScheduleD for instructions and the latest information.
▶ Use Form 8949 to list your transactions for lines 1b, 2, 3, 6b, 9, and 10.

Name(s) shown on return: John & Mary Homeowner
Your social security number: XXX-XX-XXXX

Did you dispose of any investment(s) in a qualified opportunity fund during the tax year? ☐ Yes ☐ No
If "Yes," attach Form 8949 and see its instructions for additional requirements for reporting your gain or loss.

Part I Short-Term Capital Gains and Losses—Generally Assets Held One Year or Less (see instructions)

See instructions for how to figure the amounts to enter on the lines below.
This form may be easier to complete if you round off cents to whole dollars.

	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
1a Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b.				
1b Totals for all transactions reported on Form(s) 8949 with Box A checked				
2 Totals for all transactions reported on Form(s) 8949 with Box B checked				
3 Totals for all transactions reported on Form(s) 8949 with Box C checked				
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824				4
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1				5
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your Capital Loss Carryover Worksheet in the instructions				6 (7,554.)
7 Net short-term capital gain or (loss). Combine lines 1a through 6 in column (h). If you have any long-term capital gains or losses, go to Part II below. Otherwise, go to Part III on the back				7 -7,554.

Part II Long-Term Capital Gains and Losses—Generally Assets Held More Than One Year (see instructions)

See instructions for how to figure the amounts to enter on the lines below.
This form may be easier to complete if you round off cents to whole dollars.

	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
8a Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b.				
8b Totals for all transactions reported on Form(s) 8949 with Box A checked				
9 Totals for all transactions reported on Form(s) 8949 with Box B checked				
10 Totals for all transactions reported on Form(s) 8949 with Box C checked				
11 Long-term gain from Form 6252 and long-term gain or (loss) from Forms 4684, 6781, and 8824				11
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1				12
13 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet in the instructions				13
14 Net long-term capital gain or (loss). Combine lines 8a through 13 in column (h). Then, go to Part III on the back				14
15 Net capital gain or (loss). Combine lines 7 and 14 in column (h). Then, go to Part III on the back				15

For Paperwork Reduction Act Notice, see your tax return instructions. BAA REV 02/15/21 TTW Schedule D (Form 1040) 2020

9

Pages 2 and 9

Schedule D

SCHEDULE D (Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Name(s) shown on return

John & Mary Homeowner

Did you dispose of any investment(s) in a qualified opportunity fund during the tax year? ☐ Yes ☐ No

If "Yes," attach Form 8949 and see its instructions for additional requirements for reporting your gain or loss.

Capital Gains and Losses

▶ Attach to Form 1040, 1040-SR, or 1040-NR.

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

▶ Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.

OMB No. 1545-0074

2020

Attachment
Sequence No. 12

Your social security number

XXX-XX-XXXX

SCHEDULE D (Form 1040)

Capital Gains and Losses

OMB No. 1545-0074

2020

Attachment
Sequence No. 12

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040, 1040-SR, or 1040-NR.
▶ Go to www.irs.gov/ScheduleD for instructions and the latest information.
▶ Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.

Name(s) shown on return

John & Mary Homeowner

Your social security number

XXX-XX-XXXX

Did you dispose of any investment(s) in a qualified opportunity fund during the tax year? ☐ Yes ☐ No

If "Yes," attach Form 8949 and see its instructions for additional requirements for reporting your gain or loss.

Part I Short-Term Capital Gains and Losses—Generally Assets Held One Year or Less (see instructions)

See instructions for how to figure the amounts to enter on the lines below.

This form may be easier to complete if you round off cents to whole dollars.

1a Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b.

1b Totals for all transactions reported on Form(s) 8949 with **Box A** checked.

2 Totals for all transactions reported on Form(s) 8949 with **Box B** checked.

3 Totals for all transactions reported on Form(s) 8949 with **Box C** checked.

4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824.

5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1.

6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your **Capital Loss Carryover Worksheet** in the instructions.

7 **Net short-term capital gain or (loss).** Combine lines 1a through 6 in column (h). If you have any long-term capital gains or losses, go to Part II below. Otherwise, go to Part III on the back.

	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
1a				
1b				
2				
3				
4				4
5				5
6				6 (7,554.)
7				7 -7,554.

Page 9

13 Capital gain distributions. See the instructions.

14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your **Capital Loss Carryover Worksheet** in the instructions.

15 **Net long-term capital gain or (loss).** Combine lines 8a through 14 in column (h). Then, go to Part III on the back.

Part II Long-Term Capital Gains and Losses—Generally Assets Held One Year or Less (see instructions)

	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
1a				
1b				
2				
3				
4				4
5				5
6				6 (7,554.)
7				7 -7,554.

Part III Long-Term Capital Gains and Losses—Generally Assets Held More Than One Year (see instructions)

	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
1a				
1b				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				11
12				12
13				13
14				14 ()
15				15

Where Did The \$10,544 Loss On Line 6 Come From?
The 1040 Showed A \$3,000 Loss.

Schedule D

Part III Summary

16 Combine lines 7 and 15 and enter the result -7,554.

- If line 16 is a **loss**, enter the amount from line 16 on Form 1040, 1040-SR, or 1040-NR, line 7. Then, go to line 21 below.
- If line 16 is a **loss**, skip lines 17 through 20 below. Then, go to line 21. Also be sure to complete line 22.
- If line 16 is **zero**, skip lines 17 through 21 below and enter -0- on Form 1040, 1040-SR, or 1040-NR, line 7. Then, go to line 22.

17 Are lines 15 and 16 **both** gains?
☐ **Yes.** Go to line 18.
☐ **No.** Skip lines 18 through 21, and go to line 22.

18 If you are required to complete the **28% Rate Gain Worksheet** (see instructions), enter the amount, if any, from line 7 of that worksheet **18**

19 If you are required to complete the **Unrecaptured Section 1250 Gain Worksheet** (see instructions), enter the amount, if any, from line 18 of that worksheet **19**

20 Are lines 18 and 19 both zero or blank and are you not filing Form 4952?
☐ **Yes.** Complete the **Qualified Dividends and Capital Gain Tax Worksheet** in the instructions for Forms 1040 and 1040-SR, line 16. **Don't** complete lines 21 and 22 below.
☐ **No.** Complete the **Schedule D Tax Worksheet** in the instructions. **Don't** complete lines 21 and 22 below.

21 If line 16 is a loss, enter here and on Form 1040, 1040-SR, or 1040-NR, line 7, the **smaller** of:
 • The loss on line 16; or
 • (\$3,000), or if married filing separately, (\$1,500) **21** (3,000.)

Note: When figuring which amount is smaller, treat both amounts as positive numbers.

22 Do you have qualified dividends on Form 1040, 1040-SR, or 1040-NR, line 3a?
☐ **Yes.** Complete the **Qualified Dividends and Capital Gain Tax Worksheet** in the instructions for Forms 1040 and 1040-SR, line 16.

III Schedule D - Capital Gains or Losses			2020	2019	NOTES
12	Recurring Capital Gains or Loss, Page 2, (Line 16, Details on Form 8949)*	+/-	0.00		*Verify no recurring losses that need to be considered.
Schedule D Subtotal			0	\$ 0.00	

Genworth Rental Income Calculator

- Locate Calculator and Quick Reference Guide for Rental Income
- Turn to Schedule E, Part I, Rentals
- Rental Income has been removed from the Form 91

For all homeowners, download R91 from below using data. Please download below each calculator. All calculators are updated periodically.

Calculator and Quick Reference Guide: Rental Income

Please use the following calculator and quick reference guide to assist in calculating rental income from IRS Form 1040 Schedule E. It provides suggested guidelines only and does not replace Form 1040 or Schedule E. See instructions for applicable guidelines. This method should not be used when calculating rental income on a borrower's primary residence. Check applicable guidelines when rental income is declining year to year. Please check with your own legal advisors for interpretations of legal and tax consequences, principles applicable to your business.

Property 1

Rental Income Calculation	2020	2019	NOTES
1 Gross Rental Income (Line 2)			
2 Expenses (Line 3)			*Check applicable guidelines. Do not use 12 months.
3 Depreciation (Line 18)			
4 Depreciation/Carryover/Nonrecourse/Expenses (Line 18)			**Net rental losses are generally included with other losses when calculating the debt ratio.
5 Income (Line 1)			
6 Mortgage interest (Line 12)			
7 Taxes (Line 14)			
8 Other (Line 15) (Applicable)			
9 Annual Rental Income/Loss	\$ 0.00	\$ 0.00	
10 Number of Months (Unlimited Line 27)	1		
11 Monthly Income/Loss	\$ 0.00	\$ 0.00	
12 Monthly Mortgage Payments (Unlimited)			
13 Monthly Net Rental Income/Loss**	\$ 0.00	\$ 0.00	

Property 2

Rental Income Calculation	2020	2019	NOTES
1 Gross Rental Income (Line 2)			
2 Expenses (Line 3)			*Check applicable guidelines. Do not use 12 months.
3 Depreciation (Line 18)			
4 Depreciation/Carryover/Nonrecourse/Expenses (Line 18)			**Net rental losses are generally included with other losses when calculating the debt ratio.
5 Income (Line 1)			
6 Mortgage interest (Line 12)			
7 Taxes (Line 14)			
8 Other (Line 15) (Applicable)			
9 Annual Rental Income/Loss	\$ 0.00	\$ 0.00	
10 Number of Months (Unlimited Line 27)	1		
11 Monthly Income/Loss	\$ 0.00	\$ 0.00	
12 Monthly Mortgage Payments (Unlimited)			
13 Monthly Net Rental Income/Loss**	\$ 0.00	\$ 0.00	

Please contact your local Genworth branch for assistance with the calculator.

Page 1 of 2

SCHEDULE E (Form 1040) Supplemental Income and Loss

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

Department of the Treasury Internal Revenue Service (99)

OMB No. 1545-0074

2020

Attachment Sequence No. 13

Go to www.irs.gov/ScheduleE for instructions and the latest information.

Names shown on return: John & Mary Homeowner

Your social security number: XXX-XX-XXXX

Part I Income or Loss From Rental Real Estate and Royalties Note: If you are in the business of renting personal property, use Schedule C. See instructions. If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.

A Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions ☐ Yes ☒ No

B If "Yes," did you or will you file required Form(s) 1099? ☐ Yes ☒ No

1a Physical address of each property (street, city, state, ZIP code)

A 234C Condo Court Sea Bright NJ 07772

B

C

1b Type of Property (from list below)	2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.	Fair Rental Days	Personal Use Days	QJV
A 1		366	0	<input type="checkbox"/>
B				<input type="checkbox"/>
C				<input type="checkbox"/>

Type of Property:

1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental

2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe)

Income:	Properties:	A	B	C
3 Rents received	3	35,440.		
4 Royalties received	4			
Expenses:				
5 Advertising	5			
6 Auto and travel (see instructions)	6			
7 Cleaning and maintenance	7	1,980.		
8 Commissions	8			
9 Insurance	9	2,299.		
10 Legal and other professional fees	10	550.		
11 Management fees	11	850.		
12 Mortgage interest paid to banks, etc. (see instructions)	12	7,996.		
13 Other interest	13			
14 Repairs	14	4,500.		
15 Supplies	15	2,199.		
16 Taxes	16	11,211.		
17 Utilities	17	2,697.		
18 Depreciation expense or depletion	18	7,127.		
19 Other (list) Association Dues	19	1,800.		
20 Total expenses. Add lines 5 through 19	20	43,209.		
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a loss, see instructions to find out if you must file Form 6198	21	-7,769.		
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	-10,255.		
23a Total of all amounts reported on line 3 for all rental properties	23a	35,440.		
b Total of all amounts reported on line 4 for all royalty properties	23b			
c Total of all amounts reported on line 12 for all properties	23c	7,996.		
d Total of all amounts reported on line 18 for all properties	23d	7,127.		
e Total of all amounts reported on line 20 for all properties	23e	43,209.		
24 Income. Add positive amounts shown on line 21. Do not include any losses	24			
25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25	10,255.		
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 5. Otherwise, include this amount in the total on line 41 on page 2	26	-10,255.		

For Paperwork Reduction Act Notice, see the separate instructions.

Schedule E (Form 1040) 2020

BAA REV 02/15/21 TTW

11

Mortgage Statement/Payment Coupon

A mortgage statement/payment coupon can verify:

- If loan is impounded or escrowed
- What property is associated with the mortgage payment
- Current tax and insurance information
- Current HOA dues: most investors want verification PUD, Condo or Coop

YOUR MORTGAGE COMPANY Return Mail Operations
PO Box 12345
Any Town, USA 12345-0000

01234567 1 AT 1.123 012345678901234 012 01 012345678901234

JOE HOMEOWNER
1234 MAIN STREET
SMALLTOWN USA 00000-1234

Quarterly Mortgage Statement
Statement Date 03/15/09
Payment Due Date 04/01/09
Loan Number 01234567890

Customer Service
Online
yourmortgagecompany.com
Telephone
(888) 012-3456
Fax
(888) 012-0123
Payments
PO Box 01234
Big City, USA 01234
Correspondence
PO Box 56789
Any Town, USA 56789

Summary
Payment (Principal and/or Interest, Escrow) \$1,033.50
Optional Products \$0.00
Current Monthly Payment **\$1,033.50**
Overdue Payments \$0.00
Unpaid Late Charge(s) \$0.00
Other Charges \$0.00
TOTAL PAYMENT \$1,033.50

Property Address
1234 MAIN STREET
SMALLTOWN USA 00000-1234
Unpaid Principal Balance \$125,522.58
(Contact Customer Service for pre-paid interest)
Interest Rate 5.875%
Interest Paid Year-to-Date \$1,893.80
 Taxes Paid Year-to-Date \$ 50
 Escrow Balance \$910.97

Activity Since Your Last Statement

Date	Description	Total	Principal	Interest	Escrow	Late Charge	Other
03/01	PAYMENT	\$1,033.50	\$290.18	\$625.03	\$111.29		
02/01	PAYMENT	\$1,033.50	\$290.94	\$631.27	\$111.29		
01/01	PAYMENT	\$1,033.50	\$288.70	\$633.58	\$111.29		

PITI \$1,950 (verified on mortgage statement) + \$150 (verified HOA) = \$2,100

Calculator and Quick Reference Guide: Rental Income

Please use the following calculator and quick reference guide to assist in calculating rental income from IRS Form 1040 Schedule E. It provides suggested guidance only and does not replace Fannie Mae or Freddie Mac instructions or applicable guidelines. This method should not be used when calculating rental income on a borrower's primary residence. Check applicable guidelines when rental income is declining year to year. Please check with your own legal advisors for interpretations of legal and compliance principles applicable to your business.

Property 1

Calculator Usage Note: Click Grey Buttons to Divide for Monthly Totals

Rental Income Calculation			2020	2019	NOTES
1	Gross Rents (Line 3)				*Check applicable guidelines if not using 12 months.
2	Expenses (Line 20)	-			
3	Depreciation (Line 18)	+			
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+			**Net rental losses are typically included with liabilities when calculating the debt ratio.
5	Insurance (Line 9)	+			
6	Mortgage Interest (Line 12)	+			
7	Taxes (Line 16)	+			
8	Other: (HOA if Applicable)	+			
9	Annual Rental Income/Loss	=	\$ 0.00	\$ 0.00	
10	Number of Months Considered (Line 2)*	/			
11	Monthly Income/Loss	=	<input type="button" value="÷"/>	<input type="button" value="÷"/>	
12	Monthly Mortgage Payment (Verified)	-			
13	Monthly Net Rental Income/Loss**	=	\$ 0.00	\$ 0.00	

Income:	Properties:		A
3 Rents received	3		35,440.
4 Royalties received	4		
Expenses:			
5 Advertising	5		
6 Auto and travel (see instructions)	6		
7 Cleaning and maintenance	7		1,980.
8 Commissions.	8		
9 Insurance	9		2,299.
10 Legal and other professional fees	10		550.
11 Management fees	11		850.
12 Mortgage interest paid to banks, etc. (see instructions)	12		7,996.
13 Other interest.	13		
14 Repairs.	14		4,500.
15 Supplies	15		2,199.
16 Taxes	16		11,211.
17 Utilities.	17		2,697.
18 Depreciation expense or depletion	18		7,127.
19 Other (list) ► Association Dues	19		1,800.
20 Total expenses. Add lines 5 through 19	20		43,209.
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198	21		-7,769.

2020 Schedule E Rental Income

Property 1 234C Condo Court,			Calculator Usage
Rental Income Calculation			2020
1	Gross Rents (Line 3)		\$ 35,440.00
2	Expenses (Line 20)	-	
3	Depreciation (Line 18)	+	
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+	
5	Insurance (Line 9)	+	
6	Mortgage Interest (Line 12)	+	
7	Taxes (Line 16)	+	
8	Other: (HOA if Applicable)	+	
9	Annual Rental Income/Loss	=	\$ 35,440.00
10	Number of Months Considered (Line 2)*	/	
11	Monthly Income/Loss	=	
12	Monthly Mortgage Payment (Verified)	-	
13	Monthly Net Rental Income/Loss**	=	\$ 0.00

Income:	Properties:		A
3 Rents received		3	35,440.
4 Royalties received		4	
Expenses:			
5 Advertising		5	
6 Auto and travel (see instructions)		6	
7 Cleaning and maintenance		7	1,980.
8 Commissions.		8	
9 Insurance		9	2,299.
10 Legal and other professional fees		10	550.
11 Management fees		11	850.
12 Mortgage interest paid to banks, etc. (see instructions)		12	7,996.
13 Other interest.		13	
14 Repairs.		14	4,500.
15 Supplies		15	2,199.
16 Taxes		16	11,211.
17 Utilities.		17	2,697.
18 Depreciation expense or depletion		18	7,127.
19 Other (list) ► Association Dues		19	1,800.
20 Total expenses. Add lines 5 through 19		20	43,209.
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198		21	-7,769.

2020 Schedule E Rental Income

Property 1 <input type="text" value="234C Condo Court,"/>			Calculator Usage
Rental Income Calculation			2020
1	Gross Rents (Line 3)		\$ 35,440.00
2	Expenses (Line 20)	-	43,209.00
3	Depreciation (Line 18)	+	
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+	
5	Insurance (Line 9)	+	
6	Mortgage Interest (Line 12)	+	
7	Taxes (Line 16)	+	
8	Other: (HOA if Applicable)	+	
9	Annual Rental Income/Loss	=	(\$ 7,769.00)
10	Number of Months Considered (Line 2)*	/	
11	Monthly Income/Loss	=	
12	Monthly Mortgage Payment (Verified)	-	
13	Monthly Net Rental Income/Loss**	=	\$ 0.00

Income:		Properties:		A
3	Rents received		3	35,440.
4	Royalties received		4	
Expenses:				
5	Advertising		5	
6	Auto and travel (see instructions)		6	
7	Cleaning and maintenance		7	1,980.
8	Commissions.		8	
9	Insurance		9	2,299.
10	Legal and other professional fees		10	550.
11	Management fees		11	850.
12	Mortgage interest paid to banks, etc. (see instructions)		12	7,996.
13	Other interest.		13	
14	Repairs.		14	4,500.
15	Supplies		15	2,199.
16	Taxes		16	11,211.
17	Utilities.		17	2,697.
18	Depreciation expense or depletion		18	7,127.
19	Other (list) ► Association Dues		19	1,800.
20	Total expenses. Add lines 5 through 19		20	43,209.
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198		21	-7,769.

2020 Schedule E Rental Income

Property 1 <input type="text" value="234C Condo Court,"/>			Calculator Usage
Rental Income Calculation			2020
1	Gross Rents (Line 3)		\$ 35,440.00
2	Expenses (Line 20)	-	43,209.00
3	Depreciation (Line 18)	+	7,127.00
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+	
5	Insurance (Line 9)	+	
6	Mortgage Interest (Line 12)	+	
7	Taxes (Line 16)	+	
8	Other: (HOA if Applicable)	+	
9	Annual Rental Income/Loss	=	(\$ 642.00)
10	Number of Months Considered (Line 2)*	/	
11	Monthly Income/Loss	=	
12	Monthly Mortgage Payment (Verified)	-	
13	Monthly Net Rental Income/Loss**	=	\$ 0.00

Income:		Properties:		A
3	Rents received		3	35,440.
4	Royalties received		4	
Expenses:				
5	Advertising		5	
6	Auto and travel (see instructions)		6	
7	Cleaning and maintenance		7	1,980.
8	Commissions.		8	
9	Insurance		9	2,299.
10	Legal and other professional fees		10	550.
11	Management fees		11	850.
12	Mortgage interest paid to banks, etc. (see instructions)		12	7,996.
13	Other interest.		13	
14	Repairs.		14	4,500.
15	Supplies		15	2,199.
16	Taxes		16	11,211.
17	Utilities.		17	2,697.
18	Depreciation expense or depletion		18	7,127.
19	Other (list) ► Association Dues		19	1,800.
20	Total expenses. Add lines 5 through 19		20	43,209.
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198		21	-7,769.

2020 Schedule E Rental Income

Property 1 <input type="text" value="234C Condo Court,"/>			Calculator Usage
Rental Income Calculation			2020
1	Gross Rents (Line 3)		\$ 35,440.00
2	Expenses (Line 20)	-	43,209.00
3	Depreciation (Line 18)	+	7,127.00
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+	0.00
→ 5	Insurance (Line 9)	+	
6	Mortgage Interest (Line 12)	+	
7	Taxes (Line 16)	+	
8	Other: (HOA if Applicable)	+	
9	Annual Rental Income/Loss	=	(\$ 642.00)
10	Number of Months Considered (Line 2)*	/	
11	Monthly Income/Loss	=	
12	Monthly Mortgage Payment (Verified)	-	
13	Monthly Net Rental Income/Loss**	=	\$ 0.00

Income:		Properties:		A
3	Rents received		3	35,440.
4	Royalties received		4	
Expenses:				
5	Advertising		5	
6	Auto and travel (see instructions)		6	
7	Cleaning and maintenance		7	1,980.
8	Commissions.		8	
9	Insurance		9	2,299.
10	Legal and other professional fees		10	550.
11	Management fees		11	850.
12	Mortgage interest paid to banks, etc. (see instructions)		12	7,996.
13	Other interest.		13	
14	Repairs.		14	4,500.
15	Supplies		15	2,199.
16	Taxes		16	11,211.
17	Utilities.		17	2,697.
18	Depreciation expense or depletion		18	7,127.
19	Other (list) ► <u>Association Dues</u>		19	1,800.
20	Total expenses. Add lines 5 through 19		20	43,209.
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198		21	-7,769.



2020 Schedule E Rental Income

Property 1 <input type="text" value="234C Condo Court,"/>			Calculator Usage
Rental Income Calculation			2020
1	Gross Rents (Line 3)		\$ 35,440.00
2	Expenses (Line 20)	-	43,209.00
3	Depreciation (Line 18)	+	7,127.00
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+	0.00
5	Insurance (Line 9)	+	2,299.00
→ 6	Mortgage Interest (Line 12)	+	
7	Taxes (Line 16)	+	
8	Other: (HOA if Applicable)	+	
9	Annual Rental Income/Loss	=	\$ 1,657.00
10	Number of Months Considered (Line 2)*	/	
11	Monthly Income/Loss	=	
12	Monthly Mortgage Payment (Verified)	-	
13	Monthly Net Rental Income/Loss**	=	\$ 0.00

Income:	Properties:		A
3 Rents received	3		35,440.
4 Royalties received	4		
Expenses:			
5 Advertising	5		
6 Auto and travel (see instructions)	6		
7 Cleaning and maintenance	7		1,980.
8 Commissions.	8		
9 Insurance	9		2,299.
10 Legal and other professional fees	10		550.
11 Management fees	11		850.
12 Mortgage interest paid to banks, etc. (see instructions)	12		7,996.
13 Other interest.	13		
14 Repairs.	14		4,500.
15 Supplies	15		2,199.
16 Taxes	16		11,211.
17 Utilities.	17		2,697.
18 Depreciation expense or depletion	18		7,127.
19 Other (list) ► Association Dues	19		1,800.
20 Total expenses. Add lines 5 through 19	20		43,209.
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198	21		-7,769.

2020 Schedule E Rental Income

Property 1 <input type="text" value="234C Condo Court,"/>			Calculator Usage
Rental Income Calculation			2020
1	Gross Rents (Line 3)		\$ 35,440.00
2	Expenses (Line 20)	-	43,209.00
3	Depreciation (Line 18)	+	7,127.00
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+	0.00
5	Insurance (Line 9)	+	2,299.00
6	Mortgage Interest (Line 12)	+	7,996.00
→ 7	Taxes (Line 16)	+	
8	Other: (HOA if Applicable)	+	
9	Annual Rental Income/Loss	=	\$ 9,653.00
10	Number of Months Considered (Line 2)*	/	
11	Monthly Income/Loss	=	<input type="text" value=""/>
12	Monthly Mortgage Payment (Verified)	-	
13	Monthly Net Rental Income/Loss**	=	\$ 0.00

Income:	Properties:		A
3 Rents received	3		35,440.
 4 Royalties received	4		
Expenses:			
5 Advertising	5		
6 Auto and travel (see instructions)	6		
7 Cleaning and maintenance	7		1,980.
8 Commissions.	8		
9 Insurance	9		2,299.
10 Legal and other professional fees	10		550.
11 Management fees	11		850.
12 Mortgage interest paid to banks, etc. (see instructions)	12		7,996.
13 Other interest.	13		
14 Repairs.	14		4,500.
15 Supplies	15		2,199.
 16 Taxes	16		11,211.
17 Utilities.	17		2,697.
18 Depreciation expense or depletion	18		7,127.
19 Other (list) ► Association Dues	19		1,800.
20 Total expenses. Add lines 5 through 19	20		43,209.
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198	21		-7,769.

2020 Schedule E Rental Income

Property 1 Calculator Usage

Rental Income Calculation			2020
1	Gross Receipts (Line 3)		\$ 35,440.00
2	Expenses (Line 20)	-	43,209.00
3	Depreciation (Line 18)	+	7,127.00
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+	0.00
5	Insurance (Line 9)	+	2,299.00
6	Mortgage Interest (Line 12)	+	7,996.00
7	Taxes (Line 16)	+	11,211.00
8	Other: (HOA if Applicable)	+	
9	Annual Rental Income/Loss	=	\$ 20,864.00
10	Number of Months Considered (Line 2)*	/	
11	Monthly Income/Loss	=	
12	Monthly Mortgage Payment (Verified)	-	
13	Monthly Net Rental Income/Loss**	=	\$ 0.00

Income:		Properties:		A
3	Rents received		3	35,440.
4	Royalties received		4	
Expenses:				
5	Advertising		5	
6	Auto and travel (see instructions)		6	
7	Cleaning and maintenance		7	1,980.
8	Commissions.		8	
9	Insurance		9	2,299.
10	Legal and other professional fees		10	550.
11	Management fees		11	850.
12	Mortgage interest paid to banks, etc. (see instructions)		12	7,996.
13	Other interest.		13	
14	Repairs.		14	4,500.
15	Supplies		15	2,199.
16	Taxes		16	11,211.
17	Utilities.		17	2,697.
18	Depreciation expense or depletion		18	7,127.
19	Other (list) ► Association Dues		19	1,800.
20	Total expenses. Add lines 5 through 19		20	43,209.
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198		21	-7,769.

2020 Schedule E Rental Income

Property 1 234C Condo Court, Calculator Usage Note: Click Grey Buttons

Rental Income Calculation			2020	2019
1	Gross Rents (Line 3)		\$ 35,440.00	
2	Expenses (Line 20)	-	43,209.00	
3	Depreciation (Line 18)	+	7,127.00	
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+	0.00	
5	Insurance (Line 9)	+	2,299.00	
6	Mortgage Interest (Line 12)	+	7,996.00	
7	Taxes (Line 16)	+	11,211.00	
8	Other: (HOA if Applicable) HOA Dues	+	1,800.00	
9	Annual Rental Income/Loss	=	\$ 22,664.00	\$ 0.00
10	Number of Months Considered (Line 2)*	/		
11	Monthly Income/Loss	=		
12	Monthly Mortgage Payment (Verified)	-		
13	Monthly Net Rental Income/Loss**			

2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the **QJV** box only if you meet the requirements to file as a qualified joint venture. See instructions.

	Fair Rental Days	Personal Use Days	QJV
A	366	0	<input type="checkbox"/>
B			<input type="checkbox"/>
C			<input type="checkbox"/>

2020 Schedule E Rental Income

Property 1 <input type="text" value="234C Condo Court,"/>			Calculator Usage
Rental Income Calculation			2020
1	Gross Rents (Line 3)		\$ 35,440.00
2	Expenses (Line 20)	-	43,209.00
3	Depreciation (Line 18)	+	7,127.00
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+	0.00
5	Insurance (Line 9)	+	2,299.00
6	Mortgage Interest (Line 12)	+	7,996.00
7	Taxes (Line 16)	+	11,211.00
8	Other: (HOA if Applicable) HOA Dues	+	1,800.00
9	Annual Rental Income/Loss	=	\$ 22,664.00
10	Number of Months Considered (Line 2)*	/	12
11	Monthly Income/Loss	=	\$ 1,888.67
12	Monthly Mortgage Payment (Verified)	-	
13	Monthly Net Rental Income/Loss**	=	\$ 1,888.67

Mortgage Statement/Payment Coupon

A mortgage statement/payment coupon can verify:

- If loan is impounded or escrowed
- What property is associated with the mortgage payment
- Current tax and insurance information
- Current HOA dues: most investors want verification PUD, Condo or Coop

YOUR MORTGAGE COMPANY Return Mail Operations
PO Box 12345
Any Town, USA 12345-0000

Quarterly Mortgage Statement
Statement Date 03/15/09
Payment Due Date 04/01/09
Loan Number 01234567890

Customer Service
Online
yourmortgagecompany.com
Telephone
(888) 012-3456
Fax
(888) 012-0123
Payments
PO Box 01234
Big City, USA 01234
Correspondence
PO Box 56789
Any Town, USA 56789

01234567 1 AT 1.123 (12345678901234 012 01 ABCDEF 012)
JOE HOMEOWNER
1234 MAIN STREET
SMALLTOWN USA 00000-1234

Summary
Payment (Principal and/or Interest, Escrow) \$1,033.50
Optional Products \$0.00
Current Monthly Payment \$1,033.50
Overdue Payments \$0.00
Unpaid Late Charge(s) \$0.00
Other Charges \$0.00
TOTAL PAYMENT \$1,033.50

Property Address
1234 MAIN STREET
SMALLTOWN USA 00000-1234
Unpaid Principal Balance \$125,522.58
(Contact Customer Service for pre-paid interest)
Interest Rate 5.875%
Interest Paid Year-to-Date \$1,893.80
Taxes Paid Year-to-Date \$ 50
Escrow Balance \$910.97

Activity Since Your Last Statement

Date	Description	Total	Principal	Interest	Escrow	Late Charge	Other
03/01	PAYMENT	\$1,033.50	\$290.18	\$625.03	\$111.29		
02/01	PAYMENT	\$1,033.50	\$290.94	\$631.27	\$111.29		
01/01	PAYMENT	\$1,033.50	\$288.70	\$633.58	\$111.29		

PITI \$1,950 (verified on mortgage statement) + \$150 (verified HOA) = \$2,100

2020 Schedule E Rental Income

Property 1		234C Condo Court,		Calculator Usage
Rental Income Calculation				2020
1	Gross Rents (Line 3)			\$ 35,440.00
2	Expenses (Line 20)	-		43,209.00
3	Depreciation (Line 18)	+		7,127.00
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+		0.00
5	Insurance (Line 9)	+		2,299.00
6	Mortgage Interest (Line 12)	+		7,996.00
7	Taxes (Line 16)	+		11,211.00
8	Other: (HOA if Applicable) HOA Dues	+		1,800.00
9	Annual Rental Income/Loss	=		\$ 22,664.00
10	Number of Months Considered (Line 2)*	/		12
11	Monthly Income/Loss	=		\$ 1,888.67
12	Monthly Mortgage Payment (Verified)	-		\$ 2,100.00
13	Monthly Net Rental Income/Loss**	=		(\$ 211.33)

3a. Property You Own If you are refinancing, list the property you are refinancing FIRST.

PITI \$1,950 (verified on mortgage statement) + \$150 (verified HOA) = \$2,100

Net Rental Income

Compare “Rental Income” figure with loan application (Fannie Mae Form 1003)

- Most systems calculate rental income from the REO section of the 1003
- Review the 1003 to verify what appears as rental income/rental loss
- If the number is different, override your system to reflect the true income/loss based on the tax returns

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 Fannie Mae Comparative Analysis Form 1088 Calculate net interest expense in gross income, interest and taxable income.	 Income Calculation Worksheet Use this form to calculate income. UPDATED	 P&L Calculator Created as result of changes made by the CDO to adjust to the COVID-19 pandemic.
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