



Evaluating the Self-Employed Borrower

and other sources of income

2022 TAX YEAR

Access the worksheets at mgic.com/seb





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Self-Employed
Borrower and
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Resource Manual Introduction

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About this Guide

MGIC Designs for Learning programs offer industry-leading training available to you.

This workbook includes:

- A resource guide for common concepts and worksheets used to evaluate self-employed income from tax returns
- A case study that provides samples of various types of self-employed income

In addition to this workbook, we have additional tools to help you with your income analysis:

- SAM Cash Flow Analysis Worksheet expands for multiple businesses. Line-by-line help
- Liquidity Worksheet helps support use of K-1 income
- Comparative Income Analysis Worksheet automatically calculates the % of change from one year to the next
- Rental Income Worksheet also expands for multiple properties

Access the worksheets at mgic.com/seb

Introduction

Analytical skills and sound judgment are necessary when evaluating self-employed borrowers. Determining whether they can and will repay a loan is difficult because obtaining an estimate of their earnings from tax returns can be confusing.

The challenge for self-employed borrowers is, while their accountants or tax preparers are experts at reducing tax liabilities by minimizing taxable income, we underwriters start with that same taxable income as a gauge of their earnings. The tax return reveals the borrower's taxable income. But what you are really looking for is the borrower's **cash flow** – funds the borrower is going to use to repay the mortgage.

This manual will guide you through determining qualifying income and calculating cash flow for:

- Self-employed borrowers
- Borrowers owning rental property

Throughout this manual, we may use the term "borrowers" to refer to multiple borrowers or a single borrower.

Risk Factors

Consider these factors when you evaluate self-employed borrowers:

- **Is the local industry structure stable, diversified and competitive?** In other words, how healthy is this business?
- **Is there evidence of sufficient cash reserves to meet personal and business obligations?** A poor personal credit history could indicate a cash flow problem in the business and prevent the business owner from obtaining financing for additional capital if needed
- **Is the property securing the mortgage marketable?** If the business fails, this property becomes the source for repaying the loan

Why use tax returns?

You can get a good snapshot of a typical borrower's income from a pay stub, W-2 form or written Verification of Employment.

But a self-employed borrower is not typical. There is no independent third party to verify employment and income. The most credible sources to verify income are the tax returns they've submitted to the IRS. Unfortunately, tax returns are not designed to provide a clear picture of cash flow. Instead, they report taxable income and deductible expenses.

Schedule Analysis Method

The Schedule Analysis Method, or SAM, is used to calculate self-employed borrowers' cash flow.

By carefully analyzing the individual tax schedules and applying key concepts, SAM helps you determine whether the self-employed borrower is an acceptable risk.

CHARACTERISTICS OF 5 COMMON SELF-EMPLOYED BUSINESSES

MGIC



Sole Proprietorship

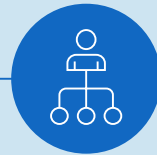
- An unincorporated business with one owner
- Unlimited liability
- All profits flow directly to owner
- Taxed at an individual rate
- **Individual:** Files IRS Schedule C
- **Business:** No returns are filed

Partnership



- A business arrangement between two or more people/partners
- Profit/loss is passed to individual partners
- Each partner pays tax on their share of income
- **Partner:** Receives Schedule K-1 and may receive guaranteed payments
- **Business:** Files IRS Form 1065

S Corporation



- A legal entity that has a limited number of stockholders
- Profit/loss is passed to individual stockholders
- Each stockholder pays tax on their share of income
- **Stockholder:** Receives Schedule K-1 and may receive W-2 income
- **Business:** Files IRS Form 1120-S

Corporation



- A legal entity that exists separate from owners who are shareholders
- Profits are distributed to shareholders via dividends
- The corporation pays taxes
- **Shareholder:** Can receive 1099-DIV and/or W-2 income
- **Business:** Files IRS Form 1120

LLC



- A limited liability company is a hybrid business
- No associated tax forms
- Can file using any of the structure-based IRS forms

In mortgage lending, a self-employed borrower is a person who owns 25% or more in an active business.* Review, analysis and calculation of a self-employed borrower's income can be tricky, but understanding business structures is an important first step.

TAKE THE NEXT STEP: Attend an MGIC webinar to gain the critical skills you need to evaluate self-employed borrowers' income.



Register now at
mgic.com/training/seb

Key Concepts

Tax returns are a starting point for analyzing cash flow.

However, before you can dive into analysis, it's important to know what to consider as **income, expense** or **loss**. Once you understand these basic concepts, you'll have a good foundation for conducting a meaningful analysis.

Three key income/expense components appear throughout the cash flow analysis:

- Noncash expenses
- Expenses limited by the IRS
- Recurring vs. nonrecurring income, expense or loss

Noncash Expenses

The most common types of noncash expenses are depreciation, depletion and amortization. The borrower deducts them from the business's earnings just like cash expenses such as rent, supplies and wages. These write-offs are a way for the business to spread out these costs.

Because these items do not involve a payment to anyone, add them to the borrower's cash flow.

Depreciation

Depreciation is a noncash expense allocated over the useful life of a declared asset. The "expense" reflects a reasonable allowance for wear and tear of an asset. The depreciated asset wears out, becomes obsolete or gets used up and eventually needs to be replaced.

"Real" depreciation typically refers to real estate; either a rental home or commercial property.

"Chattel" depreciation typically refers to assets that have a short life span, such as furniture, cars and office equipment.

Depletion

Depletion is the exhaustion of a natural resource such as oil, gas, standing timber or mineral deposits. The IRS allows a business that exhausts a natural resource in the course of normal operation to allocate the total costs of that natural resource over a given period of time.

This allocation capability enables the borrower to gather sufficient capital to start over once the natural resource is depleted.

Amortization

Amortization is the write-off of initial costs incurred by the borrower prior to the beginning of formal business operations. Examples of initial costs include survey fees, goodwill, trademarks, patents, copyrights, customer lists, non-compete agreements and prepayments. Borrowers can expense these one-time costs over a period of time.

Expenses Limited by the IRS

In certain situations, the IRS limits the amount of expense borrowers can declare to reduce taxable income.

For example, borrowers often treat clients to **meals**. In general, borrowers deduct 50% of these out-of-pocket costs on the tax return – sometimes more, depending upon their occupation. However, since the borrower paid 100% of the expense; subtract the difference from cash flow.

Recurring vs. Nonrecurring Income, Expense or Loss

Recurring Income

Recurring income is ongoing income you can expect to continue for at least the next 3 years in order to consider it as qualifying income for cash flow. The more the borrowers have to rely on that income to repay the mortgage, the more important it is for that income to continue long into the future.

Examples of recurring income include earnings from the operation of a business, interest from long-term investments or even lottery winnings paid out over a number of years.

Nonrecurring Income

Nonrecurring income is income from one-time events. Since you can't expect it to continue, you can't consider it as qualifying income toward cash flow. Examples include the sale of an asset or a prize or other windfall.

Recurring Expense

Recurring expenses are ongoing expenses associated with the day-to-day operation of a business. Examples include wages, insurance, car and truck expenses, etc.

Nonrecurring Expense

A nonrecurring expense or loss is a one-time expense or loss. For example, a casualty loss is a one-time extraordinary expense due to damage or destruction of property from an identifiable event that is sudden, unexpected or unusual, such as an earthquake, flood or hurricane.

If you can document an expense as a true, one-time occurrence related to business, add back the amount to cash flow.

Using Income From Partnerships, S Corporations and Corporations

For self-employed borrowers who are a partner or a shareholder in a corporation, once you've analyzed their personal tax returns, the next step in determining cash flow is to analyze their business tax returns.

If you're using self-employed income from a partnership, S Corporation or corporation to qualify the borrower, conduct an analysis of the business tax returns to confirm:

- The stability and liquidity of the borrower's business
- The business is financially capable to generate future earnings

Key Concept

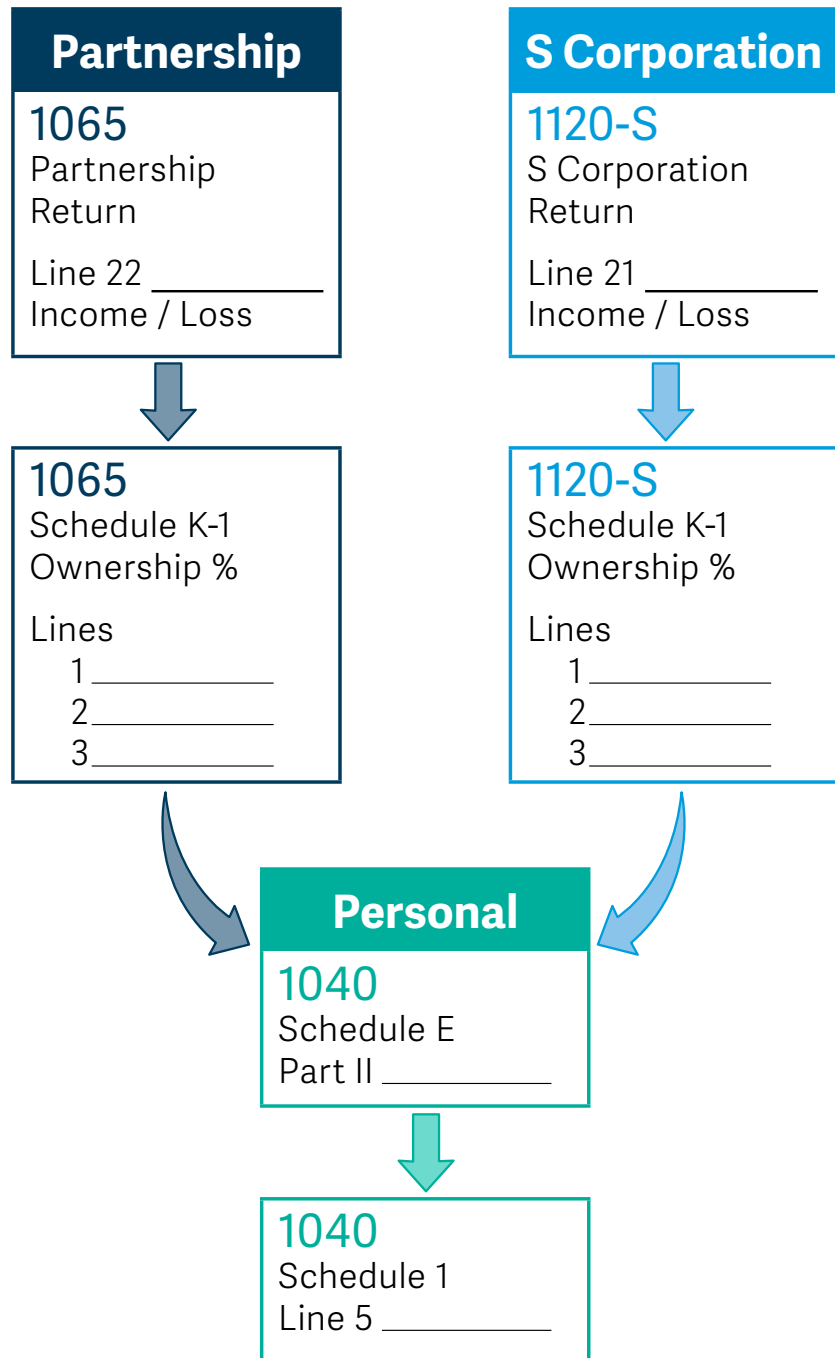
In general, add business income to the borrower's cash flow if:

- The business has positive sales and earnings trends AND
- The borrower has accessed the income OR
- The business has adequate liquidity to support the withdrawal

These factors help demonstrate income will likely be recurring and, therefore, is an acceptable source of qualifying income you can add to your borrower's cash flow.

On the other hand, deduct any loss resulting from your analysis from cash flow as it represents a drain on the borrower's income. Follow investor guidelines.

K-1 Income Flowchart





Case Study John & Ginny Borrower

About John and Ginny Borrower:

- Filed joint tax returns
- Married with no dependents
- Own 3 rental properties

Things to know about John:

- Sole proprietor of Tech in a Sec
- 20% partner in Tanglewood Realty
- 50% shareholder of Digital Network Systems

Things to know about Ginny:

- 50% partner in Westchester Development, LLC
- Sole owner of Interior Innovations, Incorporated

Access the worksheets at mgic.com/seb

Uniform Residential Loan Application

Verify and complete the information on this application. If you are applying for this loan with others, each additional Borrower must provide information as directed by your Lender.

Section 1: Borrower Information. This section asks about your personal information and your income from employment and other sources, such as retirement, that you want considered to qualify for this loan.

1a. Personal Information

Name (First, Middle, Last, Suffix)

John Borrower

Alternate Names – List any names by which you are known or any names under which credit was previously received (First, Middle, Last, Suffix)

Johnny Borrower

Social Security Number 000 - 00 - 0000
(or Individual Taxpayer Identification Number)

Date of Birth
(mm/dd/yyyy)

12 / 10 / 1981

Citizenship

☒ U.S. Citizen

☐ Permanent Resident Alien

☐ Non-Permanent Resident Alien

Type of Credit

☐ I am applying for **individual credit**.

☒ I am applying for **joint credit**. Total Number of Borrowers: _____

Each Borrower intends to apply for joint credit. **Your initials:** JB

List Name(s) of Other Borrower(s) Applying for this Loan

(First, Middle, Last, Suffix) – Use a separator between names

Ginny Borrower

Marital Status

☒ Married

☐ Separated

☐ Unmarried

(Single, Divorced, Widowed, Civil Union, Domestic Partnership, Registered Reciprocal Beneficiary Relationship)

Dependents (not listed by another Borrower)

Number 0

Ages _____

Contact Information

Home Phone () - -

Cell Phone (731) 898 - 1234

Work Phone () - - **Ext.** _____

Email jborrower@anywhere.com

Current Address

Street 3412 W Silverwood Drive

Unit # _____

City Jackson

State TN

ZIP 38305

Country USA

How Long at Current Address? 10 Years _____ Months **Housing** ☐ No primary housing expense ☒ Own ☐ Rent (\$ _____ /month)

If at Current Address for LESS than 2 years, list Former Address

☒ Does not apply

Street _____

Unit # _____

City _____

State _____

ZIP _____

Country _____

How Long at Former Address? _____ Years _____ Months **Housing** ☐ No primary housing expense ☐ Own ☐ Rent (\$ _____ /month)

Mailing Address – if different from Current Address ☒ Does not apply

Street _____

Unit # _____

City _____

State _____

ZIP _____

Country _____

1b. Current Employment/Self-Employment and Income

☐ Does not apply

Employer or Business Name Tech in a Sec

Phone (731) 226 - 1255

Street 1400 W Commercial Ave

Unit # _____

City Jackson

State TN

ZIP 38301

Country USA

Position or Title Owner

Start Date 01 / 01 / 2001 (mm/dd/yyyy)

How long in this line of work? 20 Years _____ Months

Check if this statement applies:

☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.

☒ **Check if you are the Business Owner or Self-Employed** ☐ I have an ownership share of less than 25%. **Monthly Income (or Loss)** ☒ I have an ownership share of 25% or more. \$3100

Gross Monthly Income

Base \$ _____ /month

Overtime \$ _____ /month

Bonus \$ _____ /month

Commission \$ _____ /month

Military Entitlements \$ _____ /month

Other \$ _____ /month

TOTAL \$ 0.00/month

1c. IF APPLICABLE, Complete Information for Additional Employment/Self-Employment and Income

☐ Does not apply

Employer or Business Name Digital Network Systems

Phone (831) 224 - 5151

Street 42000 N Executive Drive

Unit # _____

City Jackson

State TN

ZIP 38301

Country USA

Position or Title Owner

Start Date 09 / 01 / 2011 (mm/dd/yyyy)

How long in this line of work? 20 Years _____ Months

Check if this statement applies:

☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.

☒ **Check if you are the Business Owner or Self-Employed** ☐ I have an ownership share of less than 25%. **Monthly Income (or Loss)** ☒ I have an ownership share of 25% or more. \$2700

Gross Monthly Income

Base \$ _____ /month

Overtime \$ _____ /month

Bonus \$ _____ /month

Commission \$ _____ /month

Military Entitlements \$ _____ /month

Other \$ _____ /month

TOTAL \$ 0.00/month

1c. IF APPLICABLE, Complete Information for Additional Employment/Self-Employment and Income

☐ Does not apply

Employer or Business Name Tanglewood Realty

Phone (831) 236 - 5151

Street 42 Willow Road

Unit # _____

City Jackson

State TN

ZIP 38305

Country USA

Position or Title Investor

Start Date 09 / 01 / 2018 (mm/dd/yyyy)

How long in this line of work? 3 Years 2 Months

Check if this statement applies:

☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.

☒ **Check if you are the Business Owner or Self-Employed** ☒ I have an ownership share of less than 25%. **Monthly Income (or Loss)** ☐ I have an ownership share of 25% or more. \$ _____

Gross Monthly Income

Base \$ _____ /month

Overtime \$ _____ /month

Bonus \$ _____ /month

Commission \$ _____ /month

Military Entitlements \$ _____ /month

Other \$ _____ /month

TOTAL \$ 0.00/month

Section 3: Financial Information — Real Estate. This section asks you to list all properties you currently own and what you owe on them. ☐ *I do not own any real estate*

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

Address Street 3412 W Silverwood Dr Unit #
City Jackson State TN ZIP 38305 Country USA

Property Value	Status: Sold, Pending Sale, or Retained	Intended Occupancy: Investment, Primary Residence, Second Home, Other	Monthly Insurance, Taxes, Association Dues, etc. if not included in Monthly Mortgage Payment	For 2-4 Unit Primary or Investment Property	
				Monthly Rental Income	For LENDER to calculate: Net Monthly Rental Income
\$ 430,000	Retained <input checked="" type="checkbox"/>	Primary Residence <input checked="" type="checkbox"/>	\$	\$	\$

Mortgage Loans on this Property ☐ Does not apply

Creditor Name	Account Number	Monthly Mortgage Payment	Unpaid Balance To be paid off at or before closing	Type: FHA, VA, Conventional, USDA-RD, Other	Credit Limit (if applicable)
XYZ Mortgage	821234	\$ 2700	\$ 300000 <input checked="" type="checkbox"/>	Conventional <input checked="" type="checkbox"/>	\$
		\$	\$ <input type="checkbox"/>		\$

3b. IF APPLICABLE, Complete Information for Additional Property ☐ Does not apply

Address Street 111 State Street Unit #
City Jackson State TN ZIP 38301 Country USA

Property Value	Status: Sold, Pending Sale, or Retained	Intended Occupancy: Investment, Primary Residence, Second Home, Other	Monthly Insurance, Taxes, Association Dues, etc. if not included in Monthly Mortgage Payment	For 2-4 Unit Primary or Investment Property	
				Monthly Rental Income	For LENDER to calculate: Net Monthly Rental Income
\$ 200000	Retained <input checked="" type="checkbox"/>	Investment <input checked="" type="checkbox"/>	\$	\$ 1200	\$ (400)

Mortgage Loans on this Property ☐ Does not apply

Creditor Name	Account Number	Monthly Mortgage Payment	Unpaid Balance To be paid off at or before closing	Type: FHA, VA, Conventional, USDA-RD, Other	Credit Limit (if applicable)
XYZ Mortg	823333	\$ 1000	\$ 30000 <input type="checkbox"/>	Conventional <input checked="" type="checkbox"/>	\$
		\$	\$ <input type="checkbox"/>		\$

3c. IF APPLICABLE, Complete Information for Additional Property ☐ Does not apply

Address Street 229 N 9th Street Unit #
City Jackson State TN ZIP 38301 Country

Property Value	Status: Sold, Pending Sale, or Retained	Intended Occupancy: Investment, Primary Residence, Second Home, Other	Monthly Insurance, Taxes, Association Dues, etc. if not included in Monthly Mortgage Payment	For 2-4 Unit Primary or Investment Property	
				Monthly Rental Income	For LENDER to calculate: Net Monthly Rental Income
\$ 1,000,000	Retained <input checked="" type="checkbox"/>	Investment <input checked="" type="checkbox"/>	\$ 2000	\$ 2000	\$ 1200

Mortgage Loans on this Property ☐ Does not apply

Creditor Name	Account Number	Monthly Mortgage Payment	Unpaid Balance To be paid off at or before closing	Type: FHA, VA, Conventional, USDA-RD, Other	Credit Limit (if applicable)
ABC Commercial Bk	1225	\$ 500	\$ 5000 <input type="checkbox"/>	Other <input checked="" type="checkbox"/>	\$ 50,000
		\$	\$ <input type="checkbox"/>		\$

3c. IF APPLICABLE, Complete Information for Additional Property ☐ Does not apply

Address Street 321 Ridley Blvd Unit #
City Memphis State TN ZIP 38111 Country

Property Value	Status: Sold, Pending Sale, or Retained	Intended Occupancy: Investment, Primary Residence, Second Home, Other	Monthly Insurance, Taxes, Association Dues, etc. if not included in Monthly Mortgage Payment	For 2-4 Unit Primary or Investment Property	
				Monthly Rental Income	For LENDER to calculate: Net Monthly Rental Income
\$ 370000	Retained <input checked="" type="checkbox"/>	Investment <input checked="" type="checkbox"/>	\$ 2000	\$ 4000	\$ 2500

Mortgage Loans on this Property ☒ Does not apply

Creditor Name	Account Number	Monthly Mortgage Payment	Unpaid Balance To be paid off at or before closing	Type: FHA, VA, Conventional, USDA-RD, Other	Credit Limit (if applicable)
		\$	\$ <input type="checkbox"/>	<input checked="" type="checkbox"/>	\$
		\$	\$ <input type="checkbox"/>		\$

Uniform Residential Loan Application — Additional Borrower

Verify and complete the information on this application as directed by your Lender.

Section 1: Borrower Information. This section asks about your personal information and your income from employment and other sources, such as retirement, that you want considered to qualify for this loan.

1a. Personal Information

Name (First, Middle, Last, Suffix) Ginny Borrower		Social Security Number 000 - 00 - 0001 (or Individual Taxpayer Identification Number)	
Alternate Names – List any names by which you are known or any names under which credit was previously received (First, Middle, Last, Suffix)		Date of Birth (mm/dd/yyyy) 01 / 01 / 1980	Citizenship <input checked="" type="radio"/> U.S. Citizen <input type="radio"/> Permanent Resident Alien <input type="radio"/> Non-Permanent Resident Alien
Type of Credit <input type="radio"/> I am applying for individual credit . <input checked="" type="radio"/> I am applying for joint credit . Total Number of Borrowers: _____ Each Borrower intends to apply for joint credit. Your initials: GB		List Name(s) of Other Borrower(s) Applying for this Loan (First, Middle, Last, Suffix) – Use a separator between names John Borrower	
Marital Status <input checked="" type="radio"/> Married <input type="radio"/> Separated <input type="radio"/> Unmarried (Single, Divorced, Widowed, Civil Union, Domestic Partnership, Registered Reciprocal Beneficiary Relationship)	Dependents (not listed by another Borrower) Number 0 Ages _____	Contact Information Home Phone () - Cell Phone (731) 898 - 5200 Work Phone () - Ext. _____ Email gborrower@anywhere.com	
Current Address Street 3412 W Silverwood Dri City Jackson State TN ZIP 38305 Unit # Country USA How Long at Current Address? 10 Years Months Housing <input type="radio"/> No primary housing expense <input checked="" type="radio"/> Own <input type="radio"/> Rent (\$ /month)			
If at Current Address for LESS than 2 years, list Former Address <input checked="" type="checkbox"/> Does not apply Street City State ZIP Country How Long at Former Address? Years Months Housing <input type="radio"/> No primary housing expense <input type="radio"/> Own <input type="radio"/> Rent (\$ /month)			
Mailing Address – if different from Current Address <input checked="" type="checkbox"/> Does not apply Street City State ZIP Country			

1b. Current Employment/Self-Employment and Income

☐ Does not apply

Employer or Business Name Interior Innovations Inc Phone (731) 122 - 8544 Street 1000 Heaven's Way Unit # City Jackson State TN ZIP 38301 Country USA		Gross Monthly Income Base \$ /month Overtime \$ /month Bonus \$ /month Commission \$ /month Military Entitlements \$ /month Other \$ /month TOTAL \$ 0.00 /month
Position or Title CEO	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 01 / 01 / 2010 (mm/dd/yyyy) How long in this line of work? 12 Years Months		
<input checked="" type="checkbox"/> Check if you are the Business Owner or Self-Employed <input type="radio"/> I have an ownership share of less than 25%. Monthly Income (or Loss) \$ 5000 <input checked="" type="radio"/> I have an ownership share of 25% or more. \$ 5000		

1c. IF APPLICABLE, Complete Information for Additional Employment/Self-Employment and Income

☐ Does not apply

Employer or Business Name Westchester Development LLC Phone (731) 555 - 8787 Street 3412 S Silverwood Dr Unit # City Jackson State TN ZIP 38305 Country USA		Gross Monthly Income Base \$ /month Overtime \$ /month Bonus \$ /month Commission \$ /month Military Entitlements \$ /month Other \$ /month TOTAL \$ 0.00 /month
Position or Title owner	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 05 / 20 / 2014 (mm/dd/yyyy) How long in this line of work? 7 Years 6 Months		
<input checked="" type="checkbox"/> Check if you are the Business Owner or Self-Employed <input type="radio"/> I have an ownership share of less than 25%. Monthly Income (or Loss) \$ 1800 <input checked="" type="radio"/> I have an ownership share of 25% or more. \$ 1800		

SAM Cash Flow Analysis Worksheet with P&L

MGIC

User Tips:

- Add borrower information in blue-shaded fields
- Select the tax year(s) being reviewed
- Click the "O" button to expand income source section
- Use Summary section to analyze income trends
- Click the tax form line (shown in green) to access the searchable SEB manual
- Select the Reset Workbook button on top to clear all information

Reset Workbook

BORROWER NAME:

DATE:

Select the Year(s):

X SCHEDULE B - INTEREST AND DIVIDENDS FROM SELF-EMPLOYMENT

1	Recurring Interest Income: LINE 1 or 1040 LINE 2b		
2	Recurring Dividend Income: LINE 5 or 1040 LINE 3b		
SUBTOTAL		\$ -	\$ -

X SCHEDULE C - SOLE PROPRIETORSHIP

Name:			
3	Net Profit (Loss): LINE 31		
4	Deduct nonrecurring income/add nonrecurring loss or expense: LINE 6		
5	Depletion: LINE 12		
6	Depreciation: LINE 13		
7	Meals or Meals and Entertainment Exclusion: LINE 24b	()	()
8	Business Use of Home: LINE 30		
9	Business Miles: page 2, part IV, LINE 44a	*Miles	*Miles
10a	x Depreciation Rate 2022: \$0.26, 2021: \$0.26, 2020: \$0.27		
10b	= Total Mileage Depreciation		
11	Amortization/Casualty Loss (only if noted): page 2, part V		
SUBTOTAL		\$ -	\$ -

X SCHEDULE D - CAPITAL GAINS AND LOSSES

12	Recurring Capital Gains (Loss): page 2, LINE 16 (details on FORM 8949)		
SUBTOTAL		\$ -	\$ -

X SCHEDULE E - SUPPLEMENTAL INCOME AND LOSS

To calculate rental property income (loss), use the Rental Income Worksheet

13	Royalty Income (Loss): LINE 4		
14	Total Expenses: LINE 20	()	()
15	Depreciation Expense or Depletion: LINE 18		
SUBTOTAL		\$ -	\$ -

X SCHEDULE F - FARM INCOME

16	Net Profit (Loss): LINE 34		
17	Non-Tax Portion Ongoing Co-op & CCC Pmts: LINES 3a minus b through 6a minus b		
18	Deduct nonrecurring income/add nonrecurring loss: LINE 8		
19	Depreciation: LINE 14		
20	Amortization/Casualty Loss/Depletion (only if noted): LINE 32		
21	Business Use of Home (only if noted): LINE 32		
SUBTOTAL		\$ -	\$ -

Access the worksheets at mgic.com/seb

MGIC SAM Cash Flow Analysis Worksheet

Partnership Cash Flow

Evaluate business income as required by your investor.

<input checked="" type="checkbox"/>	PARTNERSHIP	Name:		
SCHEDULE K-1				
22	Ordinary Income (Loss): LINE 1 If > Distributions see additional requirements.			
23	Net Rental Income (Loss): LINES 2 & 3 If > Distributions see additional requirements.			
24	Guaranteed Payments: LINE 4c			
	SUBTOTAL	\$	-	\$ -
FORM W-2				
25	Wages: W-2, Box 5 (in general)			
FORM 1065				
26	Passthrough (Income) Loss from Other Partnerships: LINE 4			
27	Deduct nonrecurring income/add nonrecurring loss: LINES 5, 6 & 7			
28	Depreciation: LINE 16c			
29	Depreciation (FORM 8825): LINE 14			
30	Depletion: LINE 17			
31	Amortization/Casualty Loss (only if noted): LINE 20 from attached statement			
32	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 16, Column d	()
33	Travel and Entertainment Exclusion: Schedule M-1, LINE 4b	()
	SUBTOTAL	\$	-	\$ -
34	Multiplied by Ownership Percentage			
	Partner's Total Share of Income (Loss)	\$	-	\$ -

<input type="checkbox"/>	PARTNERSHIP	Name:		
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<input type="checkbox"/>	PARTNERSHIP	Name:		
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S Corporation Cash Flow

Evaluate business income as required by your investor.

<input checked="" type="checkbox"/>	S CORPORATION	Name:		
SCHEDULE K-1				
35	Ordinary Income (Loss): LINE 1 If > Distributions see additional requirements.			
36	Net Rental Income (Loss): LINES 2 & 3 If > Distributions see additional requirements.			
	SUBTOTAL	\$	-	\$ -
FORM W-2				
37	Wages: W-2, Box 5 (in general)			
FORM 1120S				
38	Deduct nonrecurring income/add nonrecurring loss: LINES 4 & 5			
39	Depreciation: LINE 14			
40	Depreciation (FORM 8825): LINE 14			
41	Depletion: LINE 15			
42	Amortization/Casualty Loss (only if noted): LINE 19 from attached statement			
43	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 17, Column d	()
44	Travel and Entertainment Exclusion: Schedule M-1, LINE 3b	()
	SUBTOTAL	\$	-	\$ -
45	Multiplied by Ownership Percentage			
	Shareholder's Total Share of Income (Loss)	\$	-	\$ -

<input type="checkbox"/>	S CORPORATION	Name:		
--------------------------	---------------	-------	--	--

<input type="checkbox"/>	S CORPORATION	Name:		
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Access the worksheets at mgic.com/seb

Corporation Cash Flow

Evaluate business income as required by your investor.

X CORPORATION Name:			
FORM W-2			
46	Wages: W-2, Box 5 (in general)		
FORM 1120			
47	Taxable Income: LINE 30		
48	Total Tax: LINE 31	()	()
49	Deduct nonrecurring gains/add nonrecurring losses: LINES 8 & 9		
50	Deduct nonrecurring income/add nonrecurring loss: LINE 10		
51	Depreciation: LINE 20		
52	Depletion: LINE 21		
53	Amortization/Casualty Loss (only if noted): LINE 26 from attached schedule		
54	Net Operating Loss and Special Deductions: LINES 29a & b		
55	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 17, Column d	()	()
56	Travel and Entertainment Exclusion: Schedule M-1, LINE 5c	()	()
SUBTOTAL		\$ -	\$ -
57	Multiplied by Ownership Percentage		
58	Dividends Paid to Borrower: Form 1040, Schedule B, LINE 5	()	()
Corporation's Total Share of Income (Loss)		\$ -	\$ -
O CORPORATION Name:			
O CORPORATION Name:			

Cash Flow Analysis Summary

- To modify the Total No. of Months select the applicable number from the # mo. drop-down box.
- To exclude a Subtotal from Qualifying Income, select the box to the left of the dollar amount.

Subtotal	
<input checked="" type="checkbox"/>	\$ 10,000.00

PERSONAL CASH FLOW SUBTOTALS:		Subtotal	# mo.	Subtotal	# mo.	Qualifying Income	Total No. of Months
PARTNERSHIP & S CORPORATION CASH FLOW SUBTOTALS:							
CORPORATION CASH FLOW SUBTOTALS:							
Average Monthly Cash Flow (Total)				\$	-		

Comments / Notes (For a new line, hold Alt and press Enter)

Filing Status
☐ Single
 ☒ Married filing jointly
 ☐ Married filing separately (MFS)
 ☐ Head of household (HOH)
 ☐ Qualifying surviving spouse (QSS)

Check only one box.
 If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS 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 Borrower		Your social security number 000-00-0000	
If joint return, spouse's first name and middle initial Ginny		Last name Borrower		Spouse's social security number 000-00-0001	
Home address (number and street). If you have a P.O. box, see instructions. 3412 W Silverwood Dr				Apt. no.	
City, town, or post office. If you have a foreign address, also complete spaces below. Jackson			State TN	ZIP code 38305	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. <input type="checkbox"/> You <input type="checkbox"/> Spouse
Foreign country name		Foreign province/state/county		Foreign postal code	

Digital Assets

At any time during 2022, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.)
 ☐ 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, 1958 ☐ Are blind
 Spouse: ☐ Was born before January 2, 1958 ☐ Is blind

Dependents (see instructions):		(2) Social security number	(3) Relationship to you	(4) Check the box if qualifies for (see instructions):	
(1) First name	Last name			Child tax credit	Credit for other dependents
If more than four dependents, see instructions and check here . . . <input type="checkbox"/>				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

Income Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a Form W-2, see instructions. Attach Sch. B if required. Standard Deduction for— • Single or Married filing separately, \$12,950 • Married filing jointly or Qualifying surviving spouse, \$25,900 • Head of household, \$19,400 • If you checked any box under <i>Standard Deduction</i> , see instructions.	1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a	50,000.	
	b	Household employee wages not reported on Form(s) W-2	1b		
	c	Tip income not reported on line 1a (see instructions)	1c		
	d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d		
	e	Taxable dependent care benefits from Form 2441, line 26	1e		
	f	Employer-provided adoption benefits from Form 8839, line 29	1f		
	g	Wages from Form 8919, line 6	1g		
	h	Other earned income (see instructions)	1h	0.	
	i	Nontaxable combat pay election (see instructions) 1i			
	z	Add lines 1a through 1h	1z	50,000.	
	2a	Tax-exempt interest 2a	b Taxable interest	2b	1,700.
	3a	Qualified dividends 3a	b Ordinary dividends	3b	3,000.
	4a	IRA distributions 4a	b Taxable amount	4b	
	5a	Pensions and annuities 5a	b Taxable amount	5b	
	6a	Social security benefits 6a	b Taxable amount	6b	
c	If you elect to use the lump-sum election method, check here (see instructions) <input type="checkbox"/>				
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	7	-1,000.		
8	Other income from Schedule 1, line 10	8	102,490.		
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9	156,190.		
10	Adjustments to income from Schedule 1, line 26	10	6,703.		
11	Subtract line 10 from line 9. This is your adjusted gross income	11	149,487.		
12	Standard deduction or itemized deductions (from Schedule A)	12	25,900.		
13	Qualified business income deduction from Form 8995 or Form 8995-A	13	18,997.		
14	Add lines 12 and 13	14	44,897.		
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income	15	104,590.		

Tax and Credits	16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/> _____	16	14,034.																	
	17	Amount from Schedule 2, line 3	17																		
	18	Add lines 16 and 17	18	14,034.																	
	19	Child tax credit or credit for other dependents from Schedule 8812	19																		
	20	Amount from Schedule 3, line 8	20																		
	21	Add lines 19 and 20	21																		
	22	Subtract line 21 from line 18. If zero or less, enter -0-	22	14,034.																	
	23	Other taxes, including self-employment tax, from Schedule 2, line 21	23	6,406.																	
	24	Add lines 22 and 23. This is your total tax	24	20,440.																	
Payments	25	Federal income tax withheld from:																			
	a	Form(s) W-2	25a	12,500.																	
	b	Form(s) 1099	25b																		
	c	Other forms (see instructions)	25c																		
	d	Add lines 25a through 25c	25d	12,500.																	
	26	2022 estimated tax payments and amount applied from 2021 return	26	5,500.																	
	27	Earned income credit (EIC)	27																		
	28	Additional child tax credit from Schedule 8812	28																		
	29	American opportunity credit from Form 8863, line 8	29																		
	30	Reserved for future use	30																		
	31	Amount from Schedule 3, line 15	31																		
		32	Add lines 27, 28, 29, and 31. These are your total other payments and refundable credits	32																	
	33	Add lines 25d, 26, and 32. These are your total payments	33	18,000.																	
Refund	34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid	34																		
	35a	Amount of line 34 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>	35a																		
	b	Routing number <table border="1" style="display: inline-table; text-align: center;"><tr><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td></tr></table>	X	X	X	X	X	X	X	X	X	X	c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings								
	X	X	X	X	X	X	X	X	X	X											
d	Account number <table border="1" style="display: inline-table; text-align: center;"><tr><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td></tr></table>	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X				
	36	Amount of line 34 you want applied to your 2023 estimated tax	36																		
Amount You Owe	37	Subtract line 33 from line 24. This is the amount you owe . For details on how to pay, go to www.irs.gov/Payments or see instructions	37	2,440.																	
	38	Estimated tax penalty (see instructions)	38																		
Third Party Designee																					
Do you want to allow another person to discuss this return with the IRS? See instructions <input type="checkbox"/> Yes. Complete below. <input checked="" type="checkbox"/> No																					
Designee's name _____ Phone no. _____ Personal identification number (PIN) <table border="1" style="display: inline-table; text-align: center;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>																					
Sign Here	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.																				
	Your signature _____		Date _____	Your occupation Self Employed																	
	Spouse's signature. If a joint return, both must sign. _____		Date _____	Spouse's occupation Self Employed																	
	Phone no. _____		Email address _____																		
	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) <table border="1" style="display: inline-table; text-align: center;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>																				
If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.) <table border="1" style="display: inline-table; text-align: center;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>																					
Paid Preparer Use Only	Preparer's name _____		Preparer's signature _____																		
	Firm's name Self-Prepared		Phone no. _____																		
	Firm's address _____		Firm's EIN _____																		

Go to www.irs.gov/Form1040 for instructions and the latest information.

BAA

REV 01/28/23 TTW

Form **1040** (2022)

SCHEDULE 1
(Form 1040)Department of the Treasury
Internal Revenue Service**Additional Income and Adjustments to Income**

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

Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2022Attachment
Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR

John & Ginny Borrower

Your social security number

000-00-0000

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	49,140.
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	53,350.
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income:		
a	Net operating loss	8a	()
b	Gambling	8b	
c	Cancellation of debt	8c	
d	Foreign earned income exclusion from Form 2555	8d	()
e	Income from Form 8853	8e	
f	Income from Form 8889	8f	
g	Alaska Permanent Fund dividends	8g	
h	Jury duty pay	8h	
i	Prizes and awards	8i	
j	Activity not engaged in for profit income	8j	
k	Stock options	8k	
l	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8l	
m	Olympic and Paralympic medals and USOC prize money (see instructions)	8m	
n	Section 951(a) inclusion (see instructions)	8n	
o	Section 951A(a) inclusion (see instructions)	8o	
p	Section 461(l) excess business loss adjustment	8p	
q	Taxable distributions from an ABLE account (see instructions)	8q	
r	Scholarship and fellowship grants not reported on Form W-2	8r	
s	Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d	8s	()
t	Pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan	8t	
u	Wages earned while incarcerated	8u	
z	Other income. List type and amount: _____	8z	
9	Total other income. Add lines 8a through 8z	9	
10	Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	10	102,490.

For Paperwork Reduction Act Notice, see your tax return instructions.

Schedule 1 (Form 1040) 2022

Part II Adjustments to Income

11	Educator expenses	11	
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	12	
13	Health savings account deduction. Attach Form 8889	13	
14	Moving expenses for members of the Armed Forces. Attach Form 3903	14	
15	Deductible part of self-employment tax. Attach Schedule SE	15	3,203.
16	Self-employed SEP, SIMPLE, and qualified plans	16	
17	Self-employed health insurance deduction	17	3,500.
18	Penalty on early withdrawal of savings	18	
19a	Alimony paid	19a	
b	Recipient's SSN		
c	Date of original divorce or separation agreement (see instructions): _____		
20	IRA deduction	20	
21	Student loan interest deduction	21	
22	Reserved for future use	22	
23	Archer MSA deduction	23	
24	Other adjustments:		
a	Jury duty pay (see instructions)	24a	
b	Deductible expenses related to income reported on line 8l from the rental of personal property engaged in for profit	24b	
c	Nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8m	24c	
d	Reforestation amortization and expenses	24d	
e	Repayment of supplemental unemployment benefits under the Trade Act of 1974	24e	
f	Contributions to section 501(c)(18)(D) pension plans	24f	
g	Contributions by certain chaplains to section 403(b) plans	24g	
h	Attorney fees and court costs for actions involving certain unlawful discrimination claims (see instructions)	24h	
i	Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations	24i	
j	Housing deduction from Form 2555	24j	
k	Excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041)	24k	
z	Other adjustments. List type and amount: _____	24z	
25	Total other adjustments. Add lines 24a through 24z	25	
26	Add lines 11 through 23 and 25. These are your adjustments to income . Enter here and on Form 1040 or 1040-SR, line 10, or Form 1040-NR, line 10a	26	6,703.

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REV 01/28/23 TTW

Schedule 1 (Form 1040) 2022

SCHEDULE 2
(Form 1040)Department of the Treasury
Internal Revenue Service**Additional Taxes**Attach to Form 1040, 1040-SR, or 1040-NR.
Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2022Attachment
Sequence No. **02**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR

John & Ginny Borrower

Your social security number

000-00-0000

Part I Tax

1	Alternative minimum tax. Attach Form 6251	1	
2	Excess advance premium tax credit repayment. Attach Form 8962	2	
3	Add lines 1 and 2. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 17	3	

Part II Other Taxes

4	Self-employment tax. Attach Schedule SE	4	6,406.
5	Social security and Medicare tax on unreported tip income. Attach Form 4137	5	
6	Uncollected social security and Medicare tax on wages. Attach Form 8919	6	
7	Total additional social security and Medicare tax. Add lines 5 and 6	7	
8	Additional tax on IRAs or other tax-favored accounts. Attach Form 5329 if required. If not required, check here <input type="checkbox"/>	8	
9	Household employment taxes. Attach Schedule H	9	
10	Repayment of first-time homebuyer credit. Attach Form 5405 if required	10	
11	Additional Medicare Tax. Attach Form 8959	11	
12	Net investment income tax. Attach Form 8960	12	
13	Uncollected social security and Medicare or RRTA tax on tips or group-term life insurance from Form W-2, box 12	13	
14	Interest on tax due on installment income from the sale of certain residential lots and timeshares	14	
15	Interest on the deferred tax on gain from certain installment sales with a sales price over \$150,000	15	
16	Recapture of low-income housing credit. Attach Form 8611	16	

(continued on page 2)

For Paperwork Reduction Act Notice, see your tax return instructions.

Schedule 2 (Form 1040) 2022

Part II Other Taxes (continued)

17	Other additional taxes:		
a	Recapture of other credits. List type, form number, and amount:		
		17a	
b	Recapture of federal mortgage subsidy, if you sold your home see instructions	17b	
c	Additional tax on HSA distributions. Attach Form 8889	17c	
d	Additional tax on an HSA because you didn't remain an eligible individual. Attach Form 8889	17d	
e	Additional tax on Archer MSA distributions. Attach Form 8853	17e	
f	Additional tax on Medicare Advantage MSA distributions. Attach Form 8853	17f	
g	Recapture of a charitable contribution deduction related to a fractional interest in tangible personal property	17g	
h	Income you received from a nonqualified deferred compensation plan that fails to meet the requirements of section 409A	17h	
i	Compensation you received from a nonqualified deferred compensation plan described in section 457A	17i	
j	Section 72(m)(5) excess benefits tax	17j	
k	Golden parachute payments	17k	
l	Tax on accumulation distribution of trusts	17l	
m	Excise tax on insider stock compensation from an expatriated corporation	17m	
n	Look-back interest under section 167(g) or 460(b) from Form 8697 or 8866	17n	
o	Tax on non-effectively connected income for any part of the year you were a nonresident alien from Form 1040-NR	17o	
p	Any interest from Form 8621, line 16f, relating to distributions from, and dispositions of, stock of a section 1291 fund	17p	
q	Any interest from Form 8621, line 24	17q	
z	Any other taxes. List type and amount: _____	17z	
18	Total additional taxes. Add lines 17a through 17z	18	
19	Reserved for future use	19	
20	Section 965 net tax liability installment from Form 965-A	20	
21	Add lines 4, 7 through 16, and 18. These are your total other taxes . Enter here and on Form 1040 or 1040-SR, line 23, or Form 1040-NR, line 23b	21	6,406.

Schedule B – Interest and Dividends from Self-Employment Cash Flow

X	SCHEDULE B - INTEREST AND DIVIDENDS FROM SELF-EMPLOYMENT	2022	2021
1	Recurring Interest Income: LINE 1 or 1040 LINE 2b		
2	Recurring Dividend Income: LINE 5 or 1040 LINE 3b		
SUBTOTAL		\$ -	\$ -

Notes

Schedule C – Sole Proprietorship Cash Flow

X SCHEDULE C - SOLE PROPRIETORSHIP			
Name:		2022	2021
3	Net Profit (Loss): LINE 31		
4	Deduct nonrecurring income/add nonrecurring loss or expense: LINE 6		
5	Depletion: LINE 12		
6	Depreciation: LINE 13		
7	Meals or Meals and Entertainment Exclusion: LINE 24b	()	()
8	Business Use of Home: LINE 30		
9	Business Miles: page 2, part IV, LINE 44a	*Miles	*Miles
10a	x Depreciation Rate 2022: \$0.26, 2021: \$0.26, 2020: \$0.27		
10b	= Total Mileage Depreciation		
11	Amortization/Casualty Loss (only if noted): page 2, part V		
SUBTOTAL		\$ -	\$ -

Notes

[illegible]

Access the worksheets at mgic.com/seb

**SCHEDULE C
(Form 1040)**

Department of the Treasury
Internal Revenue Service

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 must generally file Form 1065.

OMB No. 1545-0074

2022

Attachment
Sequence No. **09**

Name of proprietor John Borrower		Social security number (SSN) 000-00-0000
A Principal business or profession, including product or service (see instructions) Computer Repair Service	B Enter code from instructions 8 1 1 4 9 0	
C Business name. If no separate business name, leave blank. Tech in a Sec	D Employer ID number (EIN) (see instr.)	
E Business address (including suite or room no.) 1400 W Commercial Ave City, town or post office, state, and ZIP code Jackson, TN 38305		
F Accounting method: (1) <input checked="" type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) _____		
G Did you "materially participate" in the operation of this business during 2022? If "No," see instructions for limit on losses <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
H If you started or acquired this business during 2022, check here <input type="checkbox"/>		
I Did you make any payments in 2022 that would require you to file Form(s) 1099? See instructions <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
J If "Yes," did you or will you file required Form(s) 1099? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> 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	97,200.
2 Returns and allowances	2	
3 Subtract line 2 from line 1	3	97,200.
4 Cost of goods sold (from line 42)	4	28,000.
5 Gross profit. Subtract line 4 from line 3	5	69,200.
6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	4,500.
7 Gross income. Add lines 5 and 6	7	73,700.

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

8 Advertising	8		18 Office expense (see instructions)	18	50.
9 Car and truck expenses (see instructions)	9	7,260.	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	2,400.	21 Repairs and maintenance	21	
14 Employee benefit programs (other than on line 19)	14		22 Supplies (not included in Part III)	22	
15 Insurance (other than health)	15	1,000.	23 Taxes and licenses	23	
16 Interest (see instructions):			24 Travel and meals:		
a Mortgage (paid to banks, etc.)	16a	3,800.	a Travel	24a	
b Other	16b		b Deductible meals (see instructions)	24b	1,000.
17 Legal and professional services	17	600.	25 Utilities	25	1,650.
			26 Wages (less employment credits)	26	6,000.
			27a Other expenses (from line 48)	27a	800.
			b Reserved for future use	27b	
28 Total expenses before expenses for business use of home. Add lines 8 through 27a	28	24,560.			
29 Tentative profit or (loss). Subtract line 28 from line 7	29	49,140.			
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				
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	49,140.			
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.

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REV 01/28/23 TTW

Schedule C (Form 1040) 2022

Part III Cost of Goods Sold (see instructions)

33	Method(s) used to value closing inventory: a <input checked="" type="checkbox"/> Cost b <input type="checkbox"/> Lower of cost or market c <input type="checkbox"/> Other (attach explanation)
34	Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
35	Inventory at beginning of year. If different from last year's closing inventory, attach explanation 35 26,000.
36	Purchases less cost of items withdrawn for personal use 36 15,000.
37	Cost of labor. Do not include any amounts paid to yourself 37
38	Materials and supplies 38 2,000.
39	Other costs 39
40	Add lines 35 through 39 40 43,000.
41	Inventory at end of year 41 15,000.
42	Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on line 4 42 28,000.

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) <u>01/01/2019</u>
44	Of the total number of miles you drove your vehicle during 2022, enter the number of miles you used your vehicle for:
a	Business <u>12,000</u> b Commuting (see instructions) _____ c Other <u>8,000</u>
45	Was your vehicle available for personal use during off-duty hours? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
46	Do you (or your spouse) have another vehicle available for personal use? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
47a	Do you have evidence to support your deduction? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
b	If "Yes," is the evidence written? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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

Dues	100.
Laundry	400.
Casualty Loss	300.
48	Total other expenses. Enter here and on line 27a 48 800.

Form	4562	Depreciation and Amortization (Including Information on Listed Property)	OMB No. 1545-0172
Department of the Treasury Internal Revenue Service		Attach to your tax return. Go to www.irs.gov/Form4562 for instructions and the latest information.	2022
Name(s) shown on return		Business or activity to which this form relates	Attachment Sequence No. 179
John Borrower		Tech in a Sec	Identifying number 000-00-0000

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 2021 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	
13 Carryover of disallowed deduction to 2023. Add lines 9 and 10, less line 12	13	

Part II Special Depreciation Allowance and Other Depreciation (Don't include listed property. See instructions.)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year. See instructions.	14	
15 Property subject to section 168(f)(1) election	15	
16 Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Don't include listed property. See instructions.)
Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2022	17	2,000
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

Section B - Assets Placed in Service During 2022 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		5,600	7.0	HY	S/L	400
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 2022 Tax Year Using the Alternative Depreciation System						
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	2,400
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	

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:											
		%									
		%									
		%									
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) . . .						
31 Total commuting miles driven during the year . . .						
32 Total other personal (noncommuting) miles driven						
33 Total miles driven during the year. Add lines 30 through 32						
34 Was the vehicle available for personal use during off-duty hours?	Yes	No	Yes	No	Yes	No
35 Was the vehicle used primarily by a more than 5% owner or related person?						
36 Is another vehicle available for personal use?						

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **aren't** more than 5% owners or related persons. See instructions.

37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?	Yes	No
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? See instructions		
Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," don't complete Section B for the covered vehicles.		

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2022 tax year (see instructions):					
43 Amortization of costs that began before your 2022 tax year.					43
44 Total. Add amounts in column (f). See the instructions for where to report					44

Notes

[illegible]

Schedule D – Capital Gains and Losses Cash Flow

X SCHEDULE D - CAPITAL GAINS AND LOSSES		2022	2021
12	Recurring Capital Gains (Loss): page 2, LINE 16 (details on FORM 8949)		
SUBTOTAL		\$ -	\$ -

Notes

SCHEDULE D
(Form 1040)

Department of the Treasury
Internal Revenue Service

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

2022

Attachment
Sequence No. **12**

Name(s) shown on return
John & Ginny Borrower

Your social security number
000-00-0000

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 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

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 D checked	5,000.	6,000.		-1,000.
9 Totals for all transactions reported on Form(s) 8949 with Box E checked				
10 Totals for all transactions reported on Form(s) 8949 with Box F checked				
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 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 Capital gain distributions. See the instructions				13
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet in the instructions				14 ()
15 Net long-term capital gain or (loss). Combine lines 8a through 14 in column (h). Then, go to Part III on the back				15 -1,000.

For Paperwork Reduction Act Notice, see your tax return instructions.

BAA REV 01/28/23 TTW

Schedule D (Form 1040) 2022

Part III Summary

16 Combine lines 7 and 15 and enter the result	16	-1,000.
<ul style="list-style-type: none"> • If line 16 is a gain, enter the amount from line 16 on Form 1040, 1040-SR, or 1040-NR, line 7. Then, go to line 17 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? <input type="checkbox"/> Yes. Go to line 18. <input type="checkbox"/> 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 you are not filing Form 4952? <input type="checkbox"/> Yes. Complete the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Form 1040, line 16. Don't complete lines 21 and 22 below. <input type="checkbox"/> 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: <div style="display: flex; align-items: center;"> <div style="margin-right: 10px;"> <ul style="list-style-type: none"> • The loss on line 16; or • (\$3,000), or if married filing separately, (\$1,500) </div> <div style="font-size: 3em; margin-right: 10px;">}</div> <div> </div> </div>	21	(1,000.)
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? <input checked="" type="checkbox"/> Yes. Complete the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Form 1040, line 16. <input type="checkbox"/> No. Complete the rest of Form 1040, 1040-SR, or 1040-NR.		

Name(s) shown on return. Name and SSN or taxpayer identification no. not required if shown on other side

John & Ginny Borrower

Social security number or taxpayer identification number

000-00-0000

Before you check Box D, E, or F below, see whether you received any Form(s) 1099-B or substitute statement(s) from your broker. A substitute statement will have the same information as Form 1099-B. Either will show whether your basis (usually your cost) was reported to the IRS by your broker and may even tell you which box to check.

Part II Long-Term. Transactions involving capital assets you held more than 1 year are generally long-term (see instructions). For short-term transactions, see page 1.

Note: You may aggregate all long-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS and for which no adjustments or codes are required. Enter the totals directly on Schedule D, line 8a; you aren't required to report these transactions on Form 8949 (see instructions).

You must check Box D, E, or F below. Check only one box. If more than one box applies for your long-term transactions, complete a separate Form 8949, page 2, for each applicable box. If you have more long-term transactions than will fit on this page for one or more of the boxes, complete as many forms with the same box checked as you need.

- ☒ **(D)** Long-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS (see **Note** above)
☐ **(E)** Long-term transactions reported on Form(s) 1099-B showing basis **wasn't** reported to the IRS
☐ **(F)** Long-term transactions not reported to you on Form 1099-B

1	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold or disposed of (Mo., day, yr.)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis See the Note below and see <i>Column (e)</i> in the separate instructions.	Adjustment, if any, to gain or loss If you enter an amount in column (g), enter a code in column (f). See the separate instructions.		(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g).
						(f) Code(s) from instructions	(g) Amount of adjustment	
	IBM	05/15/18	12/17/22	5,000.	6,000.			-1,000.
2 Totals. Add the amounts in columns (d), (e), (g), and (h) (subtract negative amounts). Enter each total here and include on your Schedule D, line 8b (if Box D above is checked), line 9 (if Box E above is checked), or line 10 (if Box F above is checked) . . .				5,000.	6,000.			-1,000.

Note: If you checked Box D above but the basis reported to the IRS was incorrect, enter in column (e) the basis as reported to the IRS, and enter an adjustment in column (g) to correct the basis. See *Column (g)* in the separate instructions for how to figure the amount of the adjustment.

Schedule E – Supplemental Income and Loss Cash Flow

X	SCHEDULE E - SUPPLEMENTAL INCOME AND LOSS	To calculate rental property income (loss), use the Rental Income Worksheet	2022	2021	
13	Royalty Income (Loss): LINE 4				
14	Total Expenses: LINE 20	()	()
15	Depletion: LINE 18				
SUBTOTAL		\$	-	\$	-

For rental income calculations, see Rental Income Worksheet (page 75)

Notes

SCHEDULE E
(Form 1040)

Department of the Treasury
Internal Revenue Service

Supplemental Income and Loss

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

Attach to Form 1040, 1040-SR, 1040-NR, or 1041.

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

OMB No. 1545-0074

2022

Attachment
Sequence No. **13**

Name(s) shown on return

John & Ginny Borrower

Your social security number

000-00-0000

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 2022 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	111 State Street Jackson TN 38301
B	229 N 9th St Jackson TN 38301
C	321 Ridley Blvd Memphis TN 38111

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		A 365	0	<input type="checkbox"/>
B 4		B 365	0	<input type="checkbox"/>
C 1		C 90	0	<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	6,200.	17,500.	4,000.
4 Royalties received	4			
Expenses:				
5 Advertising	5			100.
6 Auto and travel (see instructions)	6			
7 Cleaning and maintenance	7	150.	750.	400.
8 Commissions	8			
9 Insurance	9	300.	2,300.	50.
10 Legal and other professional fees	10			
11 Management fees	11			
12 Mortgage interest paid to banks, etc. (see instructions)	12	4,400.	5,300.	
13 Other interest	13			
14 Repairs	14			
15 Supplies	15			
16 Taxes	16	1,200.	1,200.	350.
17 Utilities	17		2,500.	
18 Depreciation expense or depletion	18	2,500.	2,000.	
19 Other (list) <u>Home Owner's Assoc. Fees</u>	19			600.
20 Total expenses. Add lines 5 through 19	20	8,550.	14,050.	1,500.
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	-2,350.	3,450.	2,500.
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	(2,350.)	()	()
23a Total of all amounts reported on line 3 for all rental properties	23a		27,700.	
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		9,700.	
d Total of all amounts reported on line 18 for all properties	23d		4,500.	
e Total of all amounts reported on line 20 for all properties	23e		24,100.	
24 Income. Add positive amounts shown on line 21. Do not include any losses	24			5,950.
25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25			(2,350.)
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			3,600.

For Paperwork Reduction Act Notice, see the separate instructions.

Schedule E (Form 1040) 2022

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

Your social security number

000-00-0000

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	Tanglewood Realty	P	<input type="checkbox"/>	00-0000000	<input type="checkbox"/>	<input type="checkbox"/>
B	Westchester Development, LLC	P	<input type="checkbox"/>	00-0000000	<input type="checkbox"/>	<input type="checkbox"/>
C	Digital Network Systems	S	<input type="checkbox"/>	00-0000000	<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			5,800.		2,000.
B		21,000.			
C		32,550.			
D					
29a Totals		53,550.			2,000.
b Totals			5,800.		
30	Add columns (h) and (k) of line 29a				30 55,550.
31	Add columns (g), (i), and (j) of line 29b.				31 (5,800.)
32	Total partnership and S corporation income or (loss). Combine lines 30 and 31				32 49,750.

Part III Income or Loss From Estates and Trusts

33	(a) Name	(b) Employer identification number
A		
B		

Passive Income and Loss			Nonpassive Income and Loss		
	(c) Passive deduction or loss allowed (attach Form 8582 if required)	(d) Passive income from Schedule K-1	(e) Deduction or loss from Schedule K-1	(f) Other income from Schedule K-1	
A					
B					
34a Totals					
b Totals					
35	Add columns (d) and (f) of line 34a				35
36	Add columns (c) and (e) of line 34b				36 ()
37	Total estate and trust income or (loss). Combine lines 35 and 36				37

Part IV Income or Loss From Real Estate Mortgage Investment Conduits (REMICs) – Residual Holder

38	(a) Name	(b) Employer identification number	(c) Excess inclusion from Schedules Q, line 2c (see instructions)	(d) Taxable income (net loss) from Schedules Q, line 1b	(e) Income from Schedules Q, line 3b
39	Combine columns (d) and (e) only. Enter the result here and include in the total on line 41 below				39

Part V Summary

40	Net farm rental income or (loss) from Form 4835. Also, complete line 42 below				40
41	Total income or (loss). Combine lines 26, 32, 37, 39, and 40. Enter the result here and on Schedule 1 (Form 1040), line 5				41 53,350.
42	Reconciliation of farming and fishing income. Enter your gross farming and fishing income reported on Form 4835, line 7; Schedule K-1 (Form 1065), box 14, code B; Schedule K-1 (Form 1120-S), box 17, code AD; and Schedule K-1 (Form 1041), box 14, code F. See instructions				42
43	Reconciliation for real estate professionals. If you were a real estate professional (see instructions), enter the net income or (loss) you reported anywhere on Form 1040, Form 1040-SR, or Form 1040-NR from all rental real estate activities in which you materially participated under the passive activity loss rules				43

Notes

[illegible]

Partnership Cash Flow				
Evaluate business income as required by your investor.				
X	PARTNERSHIP	Name:	2022	2021
SCHEDULE K-1				
22	Ordinary Income (Loss): LINE 1 If > Distributions see additional requirements.			
23	Net Rental Income (Loss): LINES 2 & 3 If > Distributions see additional requirements.			
24	Guaranteed Payments: LINE 4c			
SUBTOTAL			\$ -	\$ -
FORM W-2				
25	Wages: W-2, Box 5 (in general)			
FORM 1065				
26	Passthrough (Income) Loss from Other Partnerships: LINE 4			
27	Deduct nonrecurring income/add nonrecurring loss: LINES 5, 6 & 7			
28	Depreciation: LINE 16c			
29	Depreciation (FORM 8825): LINE 14			
30	Depletion: LINE 17			
31	Amortization/Casualty Loss (only if noted): LINE 20 from attached statement			
32	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 16, Column d) () () (
33	Travel and Entertainment Exclusion: Schedule M-1, LINE 4b) () () (
SUBTOTAL			\$ -	\$ -
34	Multiplied by Ownership Percentage			
Partner's Total Share of Income (Loss)			\$ -	\$ -

Notes

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2022

For calendar year 2022, or tax year

beginning ending

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

See separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
00-0000000

B Partnership's name, address, city, state, and ZIP code
TANGLEWOOD REALTY
42 WILLOW BLVD
JACKSON, TN 38305

C IRS center where partnership filed return:

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.)
000-00-0000

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
JOHN BORROWER
3412 W. SILVERWOOD DR
JACKSON, TN 38305

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

H1 ☒ Domestic partner ☐ Foreign partner

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

I1 What type of entity is this partner? INDIVIDUAL

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

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

	Beginning	Ending
Profit	20 %	20 %
Loss	20 %	20 %
Capital	20 %	20 %

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

K Partner's share of liabilities:

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

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

L Partner's Capital Account Analysis

Beginning capital account \$	41,300
Capital contributed during the year . . . \$	2,400
Current year net income (loss) \$	-5,100
Other increase (decrease) (attach explanation) \$	
Withdrawals and distributions \$ (
Ending capital account \$	38,600

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

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

Beginning \$

Ending \$

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

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

1 Ordinary business income (loss)	-5,800	14 Self-employment earnings (loss)	-3,800
2 Net rental real estate income (loss)			
3 Other net rental income (loss)		15 Credits	
4a Guaranteed payments for services	2,000		
4b Guaranteed payments for capital		16 Schedule K-3 is attached if checked <input type="checkbox"/>	
4c Total guaranteed payments	2,000	17 Alternative minimum tax (AMT) items	
5 Interest income			
6a Ordinary dividends			
6b Qualified dividends		18 Tax-exempt income and nondeductible expenses	500
6c Dividend equivalents			STMT
7 Royalties			
8 Net short-term capital gain (loss)		19 Distributions	1,100
9a Net long-term capital gain (loss)			
9b Collectibles (28%) gain (loss)		20 Other information	
9c Unrecaptured section 1250 gain			
10 Net section 1231 gain (loss)			
11 Other income (loss)			
12 Section 179 deduction		21 Foreign taxes paid or accrued	
13 Other deductions			
22 More than one activity for at-risk purposes*			
23 More than one activity for passive activity purposes*			

*See attached statement for additional information.

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

www.irs.gov/Form1065

Schedule K-1 (Form 1065) 2022

Form 1065 – Partnership Cash Flow

Schedule K-1 (Form 1065)

Line 18 - Nondeductible Expenses

Meals and entertainment

500

Total

500

Notes

[illegible]

Partnership Cash Flow

Evaluate business income as required by your investor.

X	PARTNERSHIP	Name:		2022	2021
SCHEDULE K-1					
22	Ordinary Income (Loss): LINE 1 If > Distributions see additional requirements.				
23	Net Rental Income (Loss): LINES 2 & 3 If > Distributions see additional requirements.				
24	Guaranteed Payments: LINE 4c				
SUBTOTAL				\$ -	\$ -
FORM W-2					
25	Wages: W-2, Box 5 (in general)				
FORM 1065					
26	Passthrough (Income) Loss from Other Partnerships: LINE 4				
27	Deduct nonrecurring income/add nonrecurring loss: LINES 5, 6 & 7				
28	Depreciation: LINE 16c				
29	Depreciation (FORM 8825): LINE 14				
30	Depletion: LINE 17				
31	Amortization/Casualty Loss (only if noted): LINE 20 from attached statement				
32	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 16, Column d) () (
33	Travel and Entertainment Exclusion: Schedule M-1, LINE 4b) () (
SUBTOTAL				\$ -	\$ -
34	Multiplied by Ownership Percentage				
Partner's Total Share of Income (Loss)				\$ -	\$ -

Notes

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2022

For calendar year 2022, or tax year

beginning ending

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

See separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
00-0000000

B Partnership's name, address, city, state, and ZIP code
WESTCHESTER DEVELOPMENT, LLC
3412 W. SILVERWOOD DR
JACKSON, TN 38305

C IRS center where partnership filed return:

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.)
000-00-0001

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
GINNY BORROWER
3412 W. SILVERWOOD DR
JACKSON, TN 38305

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

H1 ☒ Domestic partner ☐ Foreign partner

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

I1 What type of entity is this partner? INDIVIDUAL

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

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

	Beginning	Ending
Profit	50 %	50 %
Loss	50 %	50 %
Capital	50 %	50 %

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

K Partner's share of liabilities:

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

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

L Partner's Capital Account Analysis

Beginning capital account \$ _____

Capital contributed during the year . . . \$ _____

Current year net income (loss) \$ _____

Other increase (decrease) (attach explanation) \$ _____

Withdrawals and distributions \$ (_____)

Ending capital account \$ _____

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

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

Beginning \$ _____

Ending \$ _____

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

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

1	Ordinary business income (loss)	14	Self-employment earnings (loss)
2	Net rental real estate income (loss) 21,000	15	Credits
3	Other net rental income (loss)	16	Schedule K-3 is attached if checked <input type="checkbox"/>
4a	Guaranteed payments for services	17	Alternative minimum tax (AMT) items
4b	Guaranteed payments for capital	5	Interest income
4c	Total guaranteed payments	6a	Ordinary dividends
6b	Qualified dividends	18	Tax-exempt income and nondeductible expenses
6c	Dividend equivalents	19	Distributions
7	Royalties	20	Other information
8	Net short-term capital gain (loss)	9a	Net long-term capital gain (loss) 21,000
9a	Net long-term capital gain (loss)	9b	Collectibles (28%) gain (loss)
9b	Collectibles (28%) gain (loss)	9c	Unrecaptured section 1250 gain
9c	Unrecaptured section 1250 gain	10	Net section 1231 gain (loss)
10	Net section 1231 gain (loss)	11	Other income (loss)
11	Other income (loss)	12	Section 179 deduction
12	Section 179 deduction	21	Foreign taxes paid or accrued
13	Other deductions		
22	More than one activity for at-risk purposes*		
23	More than one activity for passive activity purposes*		

*See attached statement for additional information.

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www.irs.gov/Form1065

Schedule K-1 (Form 1065) 2022

U.S. Return of Partnership Income

OMB No. 1545-0123

For calendar year **2022**, or tax year beginning _____, 2022, ending _____, 20_____.
Go to **www.irs.gov/Form1065** for instructions and the latest information.**2022**

A Principal business activity	Type or Print	Name of partnership WESTCHESTER DEVELOPMENT, LLC	D Employer identification number 00-0000000
B Principal product or service		Number, street, and room or suite no. If a P.O. box, see instructions. 3412 W. SILVERWOOD DR	E Date business started 05/20/2014
C Business code number		City or town, state or province, country, and ZIP or foreign postal code JACKSON, TN 38305	F Total assets (see instructions) \$

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

H Check accounting method: (1) ☒ Cash (2) ☐ Accrual (3) ☐ Other (specify): _____

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

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

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

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

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

Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than partner or limited liability company member) is based on all information of which preparer has any knowledge.			
	Signature of partner or limited liability company member _____		Date _____	
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed PTIN
	Firm's name	V.I.P. TAX INC.		Firm's EIN 00-0000000
	Firm's address	3 PEACHTREE LANE, JACKSON, TN 38305		Phone no.

Schedule B Other Information

1 What type of entity is filing this return? Check the applicable box:				Yes	No
a <input type="checkbox"/> Domestic general partnership	b <input type="checkbox"/> Domestic limited partnership				
c <input type="checkbox"/> Domestic limited liability company	d <input type="checkbox"/> Domestic limited liability partnership				
e <input type="checkbox"/> Foreign partnership	f <input type="checkbox"/> Other:				
2 At the end of the tax year:					
a Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization, or any foreign government own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership					
b Did any individual or estate own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership					
3 At the end of the tax year, did the partnership:					
a Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below					
(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage Owned in Voting Stock		
b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v) below					
(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Type of Entity	(iv) Country of Organization	(v) Maximum Percentage Owned in Profit, Loss, or Capital	
4 Does the partnership satisfy all four of the following conditions?				Yes	No
a The partnership's total receipts for the tax year were less than \$250,000.					
b The partnership's total assets at the end of the tax year were less than \$1 million.					
c Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return.					
d The partnership is not filing and is not required to file Schedule M-3. If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; item F on page 1 of Form 1065; or item L on Schedule K-1.					
5 Is this partnership a publicly traded partnership, as defined in section 469(k)(2)?					
6 During the tax year, did the partnership have any debt that was canceled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt?					
7 Has this partnership filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?					
8 At any time during calendar year 2022, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See instructions for exceptions and filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR). If "Yes," enter the name of the foreign country					
9 At any time during the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts. See instructions					
10 a Is the partnership making, or had it previously made (and not revoked), a section 754 election? See instructions for details regarding a section 754 election.					
b Did the partnership make for this tax year an optional basis adjustment under section 743(b) or 734(b)? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions					
c Is the partnership required to adjust the basis of partnership assets under section 743(b) or 734(b) because of a substantial built-in loss (as defined under section 743(d)) or substantial basis reduction (as defined under section 734(d))? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions					

Schedule B Other Information (continued)

	Yes	No
11 Check this box if, during the current or prior tax year, the partnership distributed any property received in a like-kind exchange or contributed such property to another entity (other than disregarded entities wholly owned by the partnership throughout the tax year) <input type="checkbox"/>		
12 At any time during the tax year, did the partnership distribute to any partner a tenancy-in-common or other undivided interest in partnership property?		
13 If the partnership is required to file Form 8858, Information Return of U.S. Persons With Respect to Foreign Disregarded Entities (FDEs) and Foreign Branches (FBs), enter the number of Forms 8858 attached. See instructions.		
14 Does the partnership have any foreign partners? If "Yes," enter the number of Forms 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax, filed for this partnership		
15 Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return		
16a Did you make any payments in 2022 that would require you to file Form(s) 1099? See instructions		
b If "Yes," did you or will you file required Form(s) 1099?		
17 Enter the number of Forms 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations, attached to this return		
18 Enter the number of partners that are foreign governments under section 892		
19 During the partnership's tax year, did the partnership make any payments that would require it to file Forms 1042 and 1042-S under chapter 3 (sections 1441 through 1464) or chapter 4 (sections 1471 through 1474)?		
20 Was the partnership a specified domestic entity required to file Form 8938 for the tax year? See the Instructions for Form 8938		
21 Is the partnership a section 721(c) partnership, as defined in Regulations section 1.721(c)-1(b)(14)?		
22 During the tax year, did the partnership pay or accrue any interest or royalty for which one or more partners are not allowed a deduction under section 267A? See instructions If "Yes," enter the total amount of the disallowed deductions \$		
23 Did the partnership have an election under section 163(j) for any real property trade or business or any farming business in effect during the tax year? See instructions		
24 Does the partnership satisfy one or more of the following? See instructions a The partnership owns a pass-through entity with current, or prior year carryover, excess business interest expense. b The partnership's aggregate average annual gross receipts (determined under section 448(c)) for the 3 tax years preceding the current tax year are more than \$27 million and the partnership has business interest expense. c The partnership is a tax shelter (see instructions) and the partnership has business interest expense. If "Yes" to any, complete and attach Form 8990.		
25 Is the partnership attaching Form 8996 to certify as a Qualified Opportunity Fund? If "Yes," enter the amount from Form 8996, line 15 \$		
26 Enter the number of foreign partners subject to section 864(c)(8) as a result of transferring all or a portion of an interest in the partnership or of receiving a distribution from the partnership. Complete Schedule K-3 (Form 1065), Part XIII, for each foreign partner subject to section 864(c)(8) on a transfer or distribution.		
27 At any time during the tax year, were there any transfers between the partnership and its partners subject to the disclosure requirements of Regulations section 1.707-8?		
28 Since December 22, 2017, did a foreign corporation directly or indirectly acquire substantially all of the properties constituting a trade or business of your partnership, and was the ownership percentage (by vote or value) for purposes of section 7874 greater than 50% (for example, the partners held more than 50% of the stock of the foreign corporation)? If "Yes," list the ownership percentage by vote and by value. See instructions. Percentage: _____ By vote: _____ By value: _____		
29 Reserved for future use		
30 Is the partnership electing out of the centralized partnership audit regime under section 6221(b)? See instructions. If "Yes," the partnership must complete Schedule B-2 (Form 1065). Enter the total from Schedule B-2, Part III, line 3 If "No," complete Designation of Partnership Representative below.		

Designation of Partnership Representative (see instructions)

Enter below the information for the partnership representative (PR) for the tax year covered by this return.

Name of PR _____

U.S. address of PR _____

U.S. phone number of PR _____

If the PR is an entity, name of the designated individual for the PR _____

U.S. address of designated individual _____

U.S. phone number of designated individual _____

Schedule K Partners' Distributive Share Items		Total amount	
Income (Loss)	1 Ordinary business income (loss) (page 1, line 22)	1	
	2 Net rental real estate income (loss) (attach Form 8825)	2	42,000
	3a Other gross rental income (loss) 3a		
	b Expenses from other rental activities (attach statement) 3b		
	c Other net rental income (loss). Subtract line 3b from line 3a 3c		
	4 Guaranteed payments: a Services 4a b Capital 4b		
	c Total. Add lines 4a and 4b. 4c		
	5 Interest income 5		
	6 Dividends and dividend equivalents: a Ordinary dividends 6a		
	b Qualified dividends 6b c Dividend equivalents 6c		
	7 Royalties 7		
8 Net short-term capital gain (loss) (attach Schedule D (Form 1065)) 8			
9a Net long-term capital gain (loss) (attach Schedule D (Form 1065)) 9a			
b Collectibles (28%) gain (loss) 9b			
c Unrecaptured section 1250 gain (attach statement) 9c			
10 Net section 1231 gain (loss) (attach Form 4797) 10			
11 Other income (loss) (see instructions) Type: 11			
Deductions	12 Section 179 deduction (attach Form 4562) 12		
	13a Contributions 13a		
	b Investment interest expense 13b		
	c Section 59(e)(2) expenditures: (1) Type: (2) Amount: 13c(2)		
d Other deductions (see instructions) Type: 13d			
Self-Employment	14a Net earnings (loss) from self-employment 14a		
	b Gross farming or fishing income 14b		
	c Gross nonfarm income 14c		
Credits	15a Low-income housing credit (section 42(j)(5)) 15a		
	b Low-income housing credit (other) 15b		
	c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468, if applicable) 15c		
	d Other rental real estate credits (see instructions) Type: 15d		
	e Other rental credits (see instructions) Type: 15e		
	f Other credits (see instructions) Type: 15f		
Inter-national	16 Attach Schedule K-2 (Form 1065), Partners' Distributive Share Items - International, and check this box to indicate that you are reporting items of international tax relevance <input type="checkbox"/>		
Alternative Minimum Tax (AMT) Items	17a Post-1986 depreciation adjustment 17a		
	b Adjusted gain or loss 17b		
	c Depletion (other than oil and gas) 17c		
	d Oil, gas, and geothermal properties - gross income 17d		
	e Oil, gas, and geothermal properties - deductions 17e		
	f Other AMT items (attach statement) 17f		
Other Information	18a Tax-exempt interest income 18a		
	b Other tax-exempt income 18b		
	c Nondeductible expenses 18c		
	19a Distributions of cash and marketable securities 19a		42,000
	b Distributions of other property 19b		
	20a Investment income 20a		
	b Investment expenses 20b		
	c Other items and amounts (attach statement)		
21 Total foreign taxes paid or accrued 21			

Analysis of Net Income (Loss) per Return

1 Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 21						1	42,000
2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt Organization	(vi) Nominee/Other	
a General partners							
b Limited partners							

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

Schedule M-1 Reconciliation of Income (Loss) per Books With Analysis of Net Income (Loss) per Return

Note: The partnership may be required to file Schedule M-3. See instructions.

1 Net income (loss) per books	42,000	6 Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize):	
2 Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize):		a Tax-exempt interest \$	
3 Guaranteed payments (other than health insurance)		7 Deductions included on Schedule K, lines 1 through 13d, and 21, not charged against book income this year (itemize):	
4 Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 21 (itemize):		a Depreciation \$	
a Depreciation \$		8 Add lines 6 and 7	
b Travel and entertainment \$		9 Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5 . .	42,000
5 Add lines 1 through 4	42,000		

Schedule M-2 Analysis of Partners' Capital Accounts

1 Balance at beginning of year		6 Distributions: a Cash	
2 Capital contributed: a Cash		b Property	
b Property.		7 Other decreases (itemize):	
3 Net income (loss) (see instructions)		8 Add lines 6 and 7	
4 Other increases (itemize):		9 Balance at end of year. Subtract line 8 from line 5	
5 Add lines 1 through 4			

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

► Attach to Form 1065 or Form 1120S.
► Go to www.irs.gov/Form8825 for the latest information.

OMB No. 1545-0123

Name **WESTCHESTER DEVELOPMENT, LLC** Employer identification number **00-0000000**

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

	Physical address of each property - street, city, state, ZIP code	Type - Enter code 1-8; see page 2 for list	Fair Rental Days	Personal Use Days
A	321 SUNVIEW TERRACE MEMPHIS, TN 38111	1	365	0
B				
C				
D				

		Properties			
		A	B	C	D
2	Gross rents	2 57,200			
Rental Real Estate Expenses					
3	Advertising	3 700			
4	Auto and travel	4			
5	Cleaning and maintenance	5 600			
6	Commissions	6			
7	Insurance	7 1,100			
8	Legal and other professional fees	8			
9	Interest (see instructions)	9 5,800			
10	Repairs	10			
11	Taxes	11 4,200			
12	Utilities	12 400			
13	Wages and salaries	13			
14	Depreciation (see instructions)	14 2,400			
15	Other (list) ►	15			
16	Total expenses for each property. Add lines 3 through 15	16 15,200			
17	Income or (loss) from each property. Subtract line 16 from line 2	17 42,000			
18a	Total gross rents. Add gross rents from line 2, columns A through H		18a 57,200		
b	Total expenses. Add total expenses from line 16, columns A through H		18b (15,200)		
19	Net gain (loss) from Form 4797, Part II, line 17, from the disposition of property from rental real estate activities		19		
20a	Net income (loss) from rental real estate activities from partnerships, estates, and trusts in which this partnership or S corporation is a partner or beneficiary (from Schedule K-1)		20a		
b	Identify below the partnerships, estates, or trusts from which net income (loss) is shown on line 20a. Attach a schedule if more space is needed.				
(1) Name		(2) Employer identification number			
21	Net rental real estate income (loss). Combine lines 18a through 20a. Enter the result here and on: • Form 1065 or 1120S: Schedule K, line 2		21 42,000		

For Paperwork Reduction Act Notice, see instructions.

Form **8825** (Rev. 11-2018)

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.**2022**Attachment
Sequence No. **179**

Name(s) shown on return

WESTCHESTER DEVELOPMENT, LLC

Business or activity to which this form relates

321 SUNVIEW TERRACE

Identifying number

00-0000000

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 2021 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	
13	Carryover of disallowed deduction to 2023. Add lines 9 and 10, less line 12	13	

Note: Don't use Part II or Part III below for listed property. Instead, use Part V.**Part II Special Depreciation Allowance and Other Depreciation (Don't include listed property. See instructions.)**

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year. See instructions.	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Don't include listed property. See instructions.)**Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2022	17	2,000
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

Section B - Assets Placed in Service During 2022 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		5,600	7.0	HY	S/L	400
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 2022 Tax Year Using the Alternative Depreciation System

20a Class life					
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	2,400
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.

Form **4562** (2022)

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?		<input type="checkbox"/> Yes	<input type="checkbox"/> No	24b If "Yes," is the evidence written?		<input type="checkbox"/> Yes	<input type="checkbox"/> 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:								
		%						
		%						
		%						
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) . . .												
31 Total commuting miles driven during the year . . .												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32	0		0		0		0		0		0	
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?												
36 Is another vehicle available for personal use?												

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **aren't** more than 5% owners or related persons. See instructions.

37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?	Yes	No
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? See instructions		
Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," don't complete Section B for the covered vehicles.		

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2022 tax year (see instructions):					
43 Amortization of costs that began before your 2022 tax year.					43
44 Total. Add amounts in column (f). See the instructions for where to report					44

S Corporation Cash Flow

Evaluate business income as required by your investor.

X	S CORPORATION	Name:	2022	2021
SCHEDULE K-1				
35	Ordinary Income (Loss): LINE 1 If > Distributions see additional requirements.			
36	Net Rental Income (Loss): LINES 2 & 3 If > Distributions see additional requirements.			
SUBTOTAL			\$ -	\$ -
FORM W-2				
37	Wages: W-2, Box 5 (in general)			
FORM 1120S				
38	Deduct nonrecurring income/add nonrecurring loss: LINES 4 & 5			
39	Depreciation: LINE 14			
40	Depreciation (FORM 8825): LINE 14			
41	Depletion: LINE 15			
42	Amortization/Casualty Loss (only if noted): LINE 19 from attached statement			
43	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 17, Column d) () () (
44	Travel and Entertainment Exclusion: Schedule M-1, LINE 3b) () () (
SUBTOTAL			\$ -	\$ -
45	Multiplied by Ownership Percentage			
Shareholder's Total Share of Income (Loss)			\$ -	\$ -

Notes

☐ Final K-1☐ Amended K-1

OMB No. 1545-0123

**Schedule K-1
(Form 1120-S)**Department of the Treasury
Internal Revenue Service**2022**

For calendar year 2022, or tax year

beginning 2022 ending **Shareholder's Share of Income, Deductions,
Credits, etc.**

See separate instructions.

Part I Information About the Corporation**A** Corporation's employer identification number
00-0000000**B** Corporation's name, address, city, state, and ZIP code
DIGITAL NETWORK SYSTEMS42000 N. EXECUTIVE DR
JACKSON, TN 38301**C** IRS Center where corporation filed return**D** Corporation's total number of shares

Beginning of tax year.

End of tax year.

Part II Information About the Shareholder**E** Shareholder's identifying number
000-00-0000**F** Shareholder's name, address, city, state, and ZIP code
JOHN BORROWER3412 W. SILVERWOOD DR
JACKSON, TN 38305**G** Current year allocation percentage 50.0000 %**H** Shareholder's number of shares

Beginning of tax year.

End of tax year.

I Loans from shareholder

Beginning of tax year. \$

End of tax year. \$

For IRS Use Only

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

1	Ordinary business income (loss)	13	Credits
	<u>32,550</u>		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income		
	<u>1,200</u>		
5a	Ordinary dividends		
5b	Qualified dividends	14	Schedule K-3 is attached if checked <input type="checkbox"/>
6	Royalties	15	Alternative minimum tax (AMT) items
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)	16	Items affecting shareholder basis
		<u>C</u>	<u>500</u>
10	Other income (loss)		
		17	Other information
		<u>A</u>	<u>1,200</u>
11	Section 179 deduction		
12	Other deductions		
18	More than one activity for at-risk purposes*		
19	More than one activity for passive activity purposes*		

* See attached statement for additional information.

Liquidity Worksheet

Determine business liquidity using tax return or interim balance sheet and entering the applicable line items below.

In general:

- Use the **Current Ratio** for a business that doesn't rely on inventory to generate its income (i.e., pest control company)
- Use the **Quick Ratio** for a business that relies heavily on inventory to generate its income (i.e., hardware store)

Typically, a result of 1.00 or greater for either ratio demonstrates adequate liquidity. However, it's important to use the most appropriate ratio, based on how the business operates. Investor guidelines may vary and other liquidity methods may apply. FOLLOW INVESTOR GUIDELINES.

NOTE: If there are no business liabilities, results will reflect N/A, indicating adequate liquidity.

Business Name:		Completed by:		Date:	
----------------	--	---------------	--	-------	--

Schedule L - Assets		Select the Year(s):		
1	Cash: Line 1, Column d			
2	Trade notes and accounts receivable, less bad debt: Line 2b, Column d			
3	Inventories: Line 3, Column d			
4	Other: 			
5	Total Current Assets:	\$ -		\$ -

Schedule L - Liabilities			
6	Accounts Payable: Form 1120S Line 16/Form 1065 Line 15, Column d		
7	Mortgages, notes, bonds payable < 1 year: Form 1120S Line 17/Form 1065 Line 16, Column d		
8	Other current liabilities: Form 1120S Line 18/Form 1065 Line 17, Column d		
9	Total Current Liabilities:	\$ -	\$ -

Current Ratio			
	Total Current Assets: Row 5 - Assets above	\$ -	\$ -
	Total Current Liabilities: Row 9 - Liabilities above	\$ -	\$ -
	Current Ratio: In general, a ratio ≥ 1 demonstrates adequate liquidity	N/A	N/A

Quick Ratio			
	Cash, notes, accounts receivable (less bad debt) & other: Rows 1, 2 & 4 - Assets above	\$ -	\$ -
	Total Current Liabilities: Row 9 - Liabilities above	\$ -	\$ -
	Quick Ratio: In general, a ratio ≥ 1 demonstrates adequate liquidity	N/A	N/A

Comments / Notes (For a new line, hold Alt and press Enter)

U.S. Income Tax Return for an S CorporationDo not file this form unless the corporation has filed or
is attaching Form 2553 to elect to be an S corporation.Go to www.irs.gov/Form1120S for instructions and the latest information.**2022**

For calendar year 2022 or tax year beginning

, 2022, ending

, 20

A S election effective date	Name DIGITAL NETWORK SYSTEMS	D Employer identification number 00-0000000
B Business activity code number (see instructions)	TYPE OR PRINT Number, street, and room or suite no. If a P.O. box, see instructions. 42000 N. EXECUTIVE DR	E Date incorporated 09/01/2011
C Check if Sch. M-3 attached <input type="checkbox"/>	City or town, state or province, country, and ZIP or foreign postal code JACKSON, TN 38301	F Total assets (see instructions) \$ 373,220

G Is the corporation electing to be an S corporation beginning with this tax year? See instructions. ☐ Yes ☐ No**H** Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination**I** Enter the number of shareholders who were shareholders during any part of the tax year**J** Check if corporation: (1) ☐ Aggregated activities for section 465 at-risk purposes (2) ☐ Grouped activities for section 469 passive activity purposes**Caution:** Include **only** trade or business income and expenses on lines 1a through 21. See the instructions for more information.

Income	1a Gross receipts or sales	1a	276,000	
	b Returns and allowances	1b	1,000	
	c Balance. Subtract line 1b from line 1a			1c 275,000
	2 Cost of goods sold (attach Form 1125-A)			2 146,000
	3 Gross profit. Subtract line 2 from line 1c			3 129,000
	4 Net gain (loss) from Form 4797, line 17 (attach Form 4797)			4
5 Other income (loss) (see instructions - attach statement)	SEE STATEMENT			5 10,000
6 Total income (loss). Add lines 3 through 5				6 139,000
Deductions (see instructions for limitations)	7 Compensation of officers (see instructions - attach Form 1125-E)			7
	8 Salaries and wages (less employment credits)			8 26,000
	9 Repairs and maintenance			9 8,000
	10 Bad debts			10
	11 Rents			11
	12 Taxes and licenses			12 2,100
	13 Interest (see instructions)			13 2,900
	14 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)			14 15,000
	15 Depletion (Do not deduct oil and gas depletion.)			15
	16 Advertising			16
	17 Pension, profit-sharing, etc., plans			17 3,400
	18 Employee benefit programs			18 8,000
	19 Other deductions (attach statement)	INSURANCE 7,500 LEGAL FEES 1,000		19 8,500
	20 Total deductions. Add lines 7 through 19			20 73,900
	21 Ordinary business income (loss). Subtract line 20 from line 6			21 65,100
Tax and Payments	22a Excess net passive income or LIFO recapture tax (see instructions)	22a		
	b Tax from Schedule D (Form 1120-S)	22b		
	c Add lines 22a and 22b (see instructions for additional taxes)			22c
	23a 2022 estimated tax payments and 2021 overpayment credited to 2022	23a		
	b Tax deposited with Form 7004	23b		
	c Credit for federal tax paid on fuels (attach Form 4136)	23c		
	d Add lines 23a through 23c			23d
	24 Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/>			24
	25 Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed			25
	26 Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid			26
27 Enter amount from line 26: Credited to 2023 estimated tax Refunded			27	

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

Sign Here

Signature of officer

Date

Title

May the IRS discuss this return with the preparer shown below? See instructions. ☐ Yes ☐ No**Paid Preparer Use Only**

Print/Type preparer's name

Preparer's signature

Date

Check ☐ if self-employed

PTIN

Firm's name V.I.P. TAX INC.

Firm's EIN 00-0000000

3 PEACHTREE LANE, JACKSON, TN 38305

Firm's address

Phone no.

For Paperwork Reduction Act Notice, see separate instructions.

Form **1120-S** (2022)

		Yes	No																									
1 Check accounting method: a <input type="checkbox"/> Cash b <input type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) _____																												
2 See the instructions and enter the: a Business activity _____ b Product or service _____																												
3 At any time during the tax year, was any shareholder of the corporation a disregarded entity, a trust, an estate, or a nominee or similar person? If "Yes," attach Schedule B-1, Information on Certain Shareholders of an S Corporation . .																												
4 At the end of the tax year, did the corporation:																												
a Own directly 20% or more, or own, directly or indirectly, 50% or more of the total stock issued and outstanding of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v) below																												
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;">(i) Name of Corporation</th> <th style="width: 20%;">(ii) Employer Identification Number (if any)</th> <th style="width: 20%;">(iii) Country of Incorporation</th> <th style="width: 20%;">(iv) Percentage of Stock Owned</th> <th style="width: 40%;">(v) If Percentage in (iv) Is 100%, Enter the Date (if applicable) a Qualified Subchapter S Subsidiary Election Was Made</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr> </tbody> </table>	(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage of Stock Owned	(v) If Percentage in (iv) Is 100%, Enter the Date (if applicable) a Qualified Subchapter S Subsidiary Election Was Made																							
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b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v) below																												
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(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Type of Entity	(iv) Country of Organization	(v) Maximum Percentage Owned in Profit, Loss, or Capital																								
5a At the end of the tax year, did the corporation have any outstanding shares of restricted stock? If "Yes," complete lines (i) and (ii) below. (i) Total shares of restricted stock (ii) Total shares of non-restricted stock																												
b At the end of the tax year, did the corporation have any outstanding stock options, warrants, or similar instruments? . . If "Yes," complete lines (i) and (ii) below. (i) Total shares of stock outstanding at the end of the tax year (ii) Total shares of stock outstanding if all instruments were executed																												
6 Has this corporation filed, or is it required to file, Form 8918 , Material Advisor Disclosure Statement, to provide information on any reportable transaction?																												
7 Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/> If checked, the corporation may have to file Form 8281 , Information Return for Publicly Offered Original Issue Discount Instruments.																												
8 If the corporation (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to the basis of the asset (or the basis of any other property) in the hands of a C corporation, and (b) has net unrealized built-in gain in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years. See instructions . . \$ _____																												
9 Did the corporation have an election under section 163(j) for any real property trade or business or any farming business in effect during the tax year? See instructions.																												
10 Does the corporation satisfy one or more of the following? See instructions.																												
a The corporation owns a pass-through entity with current, or prior year carryover, excess business interest expense.																												
b The corporation's aggregate average annual gross receipts (determined under section 448(c)) for the 3 tax years preceding the current tax year are more than \$27 million and the corporation has business interest expense.																												
c The corporation is a tax shelter and the corporation has business interest expense. If "Yes," complete and attach Form 8990 , Limitation on Business Interest Expense Under Section 163(j).																												
11 Does the corporation satisfy both of the following conditions?																												
a The corporation's total receipts (see instructions) for the tax year were less than \$250,000.																												
b The corporation's total assets at the end of the tax year were less than \$250,000. If "Yes," the corporation is not required to complete Schedules L and M-1.																												

Schedule B Other Information (see instructions) <i>(continued)</i>		Yes	No
12	During the tax year, did the corporation have any non-shareholder debt that was canceled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt?		
	If "Yes," enter the amount of principal reduction \$		
13	During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If "Yes," see instructions		
14a	Did the corporation make any payments in 2022 that would require it to file Form(s) 1099?		
b	If "Yes," did or will the corporation file required Form(s) 1099?		
15	Is the corporation attaching Form 8996 to certify as a Qualified Opportunity Fund?		
	If "Yes," enter the amount from Form 8996, line 15 \$		

Schedule K Shareholders' Pro Rata Share Items		Total amount	
Income (Loss)	1 Ordinary business income (loss) (page 1, line 21)	1	65,100
	2 Net rental real estate income (loss) (attach Form 8825)	2	
	3a Other gross rental income (loss) 3a		
	b Expenses from other rental activities (attach statement) 3b		
	c Other net rental income (loss). Subtract line 3b from line 3a 3c	3c	
	4 Interest income	4	2,400
	5 Dividends: a Ordinary dividends 5a	5a	
	b Qualified dividends 5b		
	6 Royalties	6	
	7 Net short-term capital gain (loss) (attach Schedule D (Form 1120-S)).	7	
8a Net long-term capital gain (loss) (attach Schedule D (Form 1120-S))	8a		
	b Collectibles (28%) gain (loss) 8b		
	c Unrecaptured section 1250 gain (attach statement) 8c		
9 Net section 1231 gain (loss) (attach Form 4797)	9		
10 Other income (loss) (see instructions). Type: 10	10		
Deductions	11 Section 179 deduction (attach Form 4562).	11	
	12a Charitable contributions	12a	
	b Investment interest expense	12b	
	c Section 59(e)(2) expenditures Type: 12c	12c	
d Other deductions (see instructions). Type: 12d	12d		
Credits	13a Low-income housing credit (section 42(j)(5))	13a	
	b Low-income housing credit (other)	13b	
	c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468, if applicable)	13c	
	d Other rental real estate credits (see instructions) Type: 13d	13d	
	e Other rental credits (see instructions) Type: 13e	13e	
	f Biofuel producer credit (attach Form 6478)	13f	
	g Other credits (see instructions) Type: 13g	13g	
Inter-national	14 Attach Schedule K-2 (Form 1120-S), Shareholders' Pro Rata Share Items - International, and check this box to indicate you are reporting items of international tax relevance <input type="checkbox"/>		
Alternative Minimum Tax (AMT items)	15a Post-1986 depreciation adjustment	15a	
	b Adjusted gain or loss	15b	
	c Depletion (other than oil and gas)	15c	
	d Oil, gas, and geothermal properties - gross income	15d	
	e Oil, gas, and geothermal properties - deductions	15e	
	f Other AMT items (attach statement)	15f	
Items Affecting Shareholder Basis	16a Tax-exempt interest income	16a	
	b Other tax-exempt income	16b	
	c Nondeductible expenses	16c	1,000
	d Distributions (attach statement if required) (see instructions)	16d	
	e Repayment of loans from shareholders	16e	
	f Foreign taxes paid or accrued	16f	

Schedule K Shareholders' Pro Rata Share Items (continued)			Total amount	
Other Information	17a	Investment income	17a	2,400
	b	Investment expenses	17b	
	c	Dividend distributions paid from accumulated earnings and profits	17c	
	d	Other items and amounts (attach statement)		
Reconciliation	18	Income (loss) reconciliation. Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12d and 16f . . .	18	67,500

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		15,400		16,100
2a	Trade notes and accounts receivable . .	27,600		39,800	
b	Less allowance for bad debts	(2,760)	24,840	(3,980)	35,820
3	Inventories		30,000		25,000
4	U.S. government obligations				
5	Tax-exempt securities (see instructions) .		6,000		6,000
6	Other current assets (attach statement) .		15,000		17,400
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach statement)		100,400		130,800
10a	Buildings and other depreciable assets .	190,000		190,000	
b	Less accumulated depreciation	(32,900)	157,100	(47,900)	142,100
11a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	()		()	
14	Other assets (attach statement)				
15	Total assets		348,740		373,220
Liabilities and Shareholders' Equity					
16	Accounts payable		18,800		19,200
17	Mortgages, notes, bonds payable in less than 1 year		22,000		21,900
18	Other current liabilities (attach statement)		1,780		3,000
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more		119,100		78,660
21	Other liabilities (attach statement)		13,100		10,000
22	Capital stock		2,000		2,000
23	Additional paid-in capital		50,000		50,000
24	Retained earnings		121,960		188,460
25	Adjustments to shareholders' equity (attach statement)				
26	Less cost of treasury stock		()		()
27	Total liabilities and shareholders' equity .		348,740		373,220

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

1 Net income (loss) per books	66,500	5 Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):	
2 Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize) _____		a Tax-exempt interest \$ _____	
3 Expenses recorded on books this year not included on Schedule K, lines 1 through 12 and 16f (itemize):		6 Deductions included on Schedule K, lines 1 through 12 and 16f, not charged against book income this year (itemize):	
a Depreciation \$ _____		a Depreciation \$ _____	
b Travel and entertainment \$ 1,000	1,000	7 Add lines 5 and 6	
4 Add lines 1 through 3	67,500	8 Income (loss) (Schedule K, line 18). Subtract line 7 from line 4	67,500

Schedule M-2 Analysis of Accumulated Adjustments Account, Shareholders' Undistributed Taxable Income Previously Taxed, Accumulated Earnings and Profits, and Other Adjustments Account
(see instructions)

	(a) Accumulated adjustments account	(b) Shareholders' undistributed taxable income previously taxed	(c) Accumulated earnings and profits	(d) Other adjustments account
1 Balance at beginning of tax year	121,960			
2 Ordinary income from page 1, line 21	65,100			
3 Other additions	2,400			
4 Loss from page 1, line 21	()			
5 Other reductions	(1,000)			()
6 Combine lines 1 through 5	188,460			
7 Distributions				
8 Balance at end of tax year. Subtract line 7 from line 6	188,460			

Form **1120-S** (2022)

Cost of Goods Sold

OMB No. 1545-0123

► **Attach to Form 1120, 1120-C, 1120-F, 1120S, or 1065.**
 ► **Go to www.irs.gov/Form1125A for the latest information.**

Name DIGITAL NETWORK SYSTEMS		Employer identification number 00-0000000
1	Inventory at beginning of year	1 30,000
2	Purchases	2 141,000
3	Cost of labor	3
4	Additional section 263A costs (attach schedule)	4
5	Other costs (attach schedule)	5
6	Total. Add lines 1 through 5	6 171,000
7	Inventory at end of year	7 25,000
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the appropriate line of your tax return. See instructions.	8 146,000
9a Check all methods used for valuing closing inventory:		
(i) <input checked="" type="checkbox"/> Cost		
(ii) <input type="checkbox"/> Lower of cost or market		
(iii) <input type="checkbox"/> Other (Specify method used and attach explanation.) ►		
b	Check if there was a writedown of subnormal goods	<input type="checkbox"/>
c	Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970).	<input type="checkbox"/>
d	If the LIFO inventory method was used for this tax year, enter amount of closing inventory computed under LIFO	9d
e	If property is produced or acquired for resale, do the rules of section 263A apply to the entity? See instructions	<input type="checkbox"/> Yes <input type="checkbox"/> No
f	Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

Small business taxpayers. For tax years beginning after December 31, 2017, the following apply.

- A small business taxpayer (defined below), may use a method of accounting for inventories that either: (1) treats inventories as nonincidental materials and supplies, or (2) conforms to the taxpayer's financial accounting treatment of inventories.
- A small business taxpayer is not required to capitalize costs under section 263A.

General Instructions**Purpose of Form**

Use Form 1125-A to calculate and deduct cost of goods sold for certain entities.

Who Must File

Filers of Form 1120, 1120-C, 1120-F, 1120S, or 1065, must complete and attach Form 1125-A if the applicable entity reports a deduction for cost of goods sold.

Inventories

Generally, inventories are required at the beginning and end of each tax year if the production, purchase, or sale of

merchandise is an income-producing factor. See Regulations section 1.471-1. If inventories are required, you generally must use an accrual method of accounting for sales and purchases of inventory items.

Exception for certain taxpayers. A small business taxpayer (defined below), can adopt or change its accounting method to account for inventories in the same manner as material and supplies that are non-incidental, or conform to its treatment of inventories in an applicable financial statement (as defined in section 451(b)(3)), or if it does not have an applicable financial statement, the method of accounting used in its books and records prepared in accordance with its accounting procedures. See section 471(c)(3).

A small business taxpayer claiming exemption from the requirement to keep inventories is changing its method of accounting for purposes of section 481. For additional guidance on this method of accounting, see Pub. 538, Accounting Periods and Methods. For guidance on changing to this method of accounting, see Form 3115 and the Instructions for Form 3115.

Small business taxpayer. A small business taxpayer is a taxpayer that (a) has average annual gross receipts of \$25 million or less (indexed for inflation) for the 3 prior tax years, and (b) is not a tax shelter (as defined in section 448(d)(3)). See Pub. 538.

Uniform capitalization rules. The uniform capitalization rules of section 263A generally require you to capitalize, or include in inventory, certain costs incurred in connection with the following.

- The production of real property and tangible personal property held in inventory or held for sale in the ordinary course of business.
- Real property or personal property (tangible and intangible) acquired for resale.
- The production of real property and tangible personal property for use in its trade or business or in an activity engaged in for profit.

A small business taxpayer (defined above) is not required to capitalize costs under section 263A. See section 263A(i).

See the discussion on section 263A uniform capitalization rules in the instructions for your tax return before completing Form 1125-A. Also see Regulations sections 1.263A-1 through 1.263A-3. See Regulations section 1.263A-4 for rules for property produced in a farming business.

=====

Line 5 - Other Income

Sale of refurbished equipment	<u>10,000</u>
Total	<u><u>10,000</u></u>

S Corporation Cash Flow

Use of this information is discretionary. FOLLOW INVESTOR GUIDELINES.

X	S CORPORATION		
Time Frame (i.e., YTD, quarterly):			<div>+</div> <div>-</div>
Date From:			
Date Paid Through:			
Net Income:			
Deduct nonrecurring income:		()	()
Add nonrecurring loss:			
Depreciation:			
Depletion:			
Amortization/Casualty Loss:			
Other:			
SUBTOTAL		\$ -	\$ -
Multiplied by Ownership Percentage:			
Shareholder's Share of Income (Loss):		\$ -	\$ -
Wages:			
Total Income:		\$ -	\$ -
Monthly Income:		\$ -	\$ -

Digital Network Systems Income Statement

Date: _____

Sales	\$ 151,750	
Discounts & allowances	500	
Net sales	<u>151,250</u>	
Cost of Goods Sold	<u>80,300</u>	
Gross Profit		70,950
 Other income		
Interest income	<u>1,300</u>	
		1,300
 Expenses		
Salaries	14,300	
Employee benefits	6,270	
Licenses	1,155	
Travel and entertainment	1,100	
Insurance	4,125	
Maintenance	4,400	
Interest	1,595	
Depreciation	<u>7,500</u>	
Total Expenses		40,445
 Net income		<u><u>\$ 31,805</u></u>

Corporation Cash Flow			
Evaluate business income as required by your investor.			
X	CORPORATION	Name:	20222021
FORM W-2			
46	Wages: W-2, Box 5 (in general)		
FORM 1120			
47	Taxable Income: LINE 30		
48	Total Tax: LINE 31	()	()
49	Deduct nonrecurring gains/add nonrecurring losses: LINES 8 & 9		
50	Deduct nonrecurring income/add nonrecurring loss: LINE 10		
51	Depreciation: LINE 20		
52	Depletion: LINE 21		
53	Amortization/Casualty Loss (only if noted): LINE 26 from attached schedule		
54	Net Operating Loss and Special Deductions: LINES 29a & b		
55	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 17, Column d	()	()
56	Travel and Entertainment Exclusion: Schedule M-1, LINE 5c	()	()
	SUBTOTAL	\$ -	\$ -
57	Multiplied by Ownership Percentage		
58	Dividends Paid to Borrower: Form 1040, Schedule B, LINE 5	()	()
	Corporation's Total Share of Income (Loss)	\$ -	\$ -

Notes

Name
Ginny BorrowerSocial Security Number
000-00-0001**Spouse's W-2**
Do not transfer this W-2 to next year**Military:** Complete **Part VI** on Page 2 below.

a Employee's social security no. . . 000-00-0001
b Employer ID number (EIN). . . 00-0000000
c Employer's name, address, and ZIP code
Interior Innovations, Incorporated

Street 1000 Heaven's Way
 City Jackson
 State TN ZIP Code 38301

Foreign Province _____
 Foreign Postal Code _____
 Foreign Country _____

d Control number _____**Transfer employee information from
the Federal Information Worksheet**

e Employee's name
 First Ginny M.I. _____
 Last Borrower Suff. _____
f Employee's address and ZIP code
 Street 3412 W Silverwood Dr
 City Jackson
 State TN ZIP Code 38305
 Foreign Province _____
 Foreign Postal Code _____
 Foreign Country _____

1 Wages, tips, other compensation
50,000.00
3 Social security wages
54,000.00
5 Medicare wages and tips
54,000.00
7 Social security tips

► Enter unreported tips in Part VII on Page 2 below.

2 Federal income tax withheld
12,500.00
4 Social security tax withheld
3,348.00
6 Medicare tax withheld
783.00
8 Allocated tips

9 _____

10 Dependent care benefits
 Distributions from sect. 457
 and nonqualified plans
(Important, see Help)

11 Nonqualified plans _____**12** Enter box 12 below _____

13 ☐ Statutory employee
☐ Retirement plan
☐ Third-party sick pay

14 Enter box 14 below **after** entering boxes 18, 19, and 20.
NOTE: Enter box 15 **before** entering box 14.

Box 12 Code	Box 12 Amount	If Box 12 code is:	
<u>D</u>	<u>4,000.00</u>	A:	Enter amount attributable to RRTA Tier 2 tax _____
_____	_____	M:	Enter amount attributable to RRTA Tier 2 tax _____
_____	_____	P:	Double click to link to Form 3903, line 4. . . _____
_____	_____	R:	Enter MSA contribution for Taxpayer . . . _____
_____	_____		Spouse _____
_____	_____	W:	Enter HSA contribution for Taxpayer . . . _____
_____	_____		Spouse _____
		G:	<input type="checkbox"/> Employer is not a state or local government

Box 15 State	Box 15 Employer's state I.D. number	Box 16 State wages, tips, etc.	Box 17 State income tax
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

I confirm that the state withholding identification number(s) are accurate ☐

Box 20 Locality name	Box 18 Local wages, tips, etc.	Box 19 Local income tax	Associated State
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Box 14 Description or Code on Actual Form W-2	Amount	TurboTax Identification of Description or Code (Identify this item by selecting the identification from the drop down list. If not on the list, select "Other".)
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Form 1120 Department of the Treasury Internal Revenue Service		U.S. Corporation Income Tax Return For calendar year 2022 or tax year beginning _____, ending _____ Go to www.irs.gov/Form1120 for instructions and the latest information.				OMB No. 1545-0123 2022	
A Check if: <input type="checkbox"/> 1a Consolidated return (attach Form 851). <input type="checkbox"/> b Life/nonlife consolidated return. <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH). <input type="checkbox"/> 3 Personal service corp. (see instructions). <input type="checkbox"/> 4 Schedule M-3 attached.		NAME OR PRINT Name: INTERIOR INNOVATIONS, INCORPORATED Number, street, and room or suite no. If a P.O. box, see instructions: 1000 HEAVEN'S WAY City or town, state or province, country, and ZIP or foreign postal code: JACKSON, TN 38301				B Employer identification number 00-0000000 C Date incorporated 01/31/2012 D Total assets (see instructions) \$ 235,336	
E Check if: (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change							
Income	1 a Gross receipts or sales		1 a 534,000				
	b Returns and allowances		1 b				
	c Balance. Subtract line 1b from line 1a		1 c 534,000				
	2 Cost of goods sold (attach Form 1125-A)		2 390,000				
	3 Gross profit. Subtract line 2 from line 1c		3 144,000				
	4 Dividends and inclusions (Schedule C, line 23)		4				
	5 Interest		5				
	6 Gross rents		6				
	7 Gross royalties		7				
	8 Capital gain net income (attach Schedule D (Form 1120))		8				
	9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)		9				
10 Other income (see instructions - attach statement)		10					
11 Total income. Add lines 3 through 10		11 144,000					
Deductions (See instructions for limitations on deductions.)	12 Compensation of officers (see instructions - attach Form 1125-E)		12 54,000				
	13 Salaries and wages (less employment credits)		13 40,000				
	14 Repairs and maintenance		14				
	15 Bad debts		15				
	16 Rents		16 1,000				
	17 Taxes and licenses		17 1,200				
	18 Interest (see instructions)		18 7,200				
	19 Charitable contributions		19 100				
	20 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)		20 7,000				
	21 Depletion		21				
	22 Advertising		22 1,000				
	23 Pension, profit-sharing, etc., plans		23 3,000				
	24 Employee benefit programs		24 1,800				
	25 Reserved for future use		25				
	26 Other deductions (attach statement) SEE STATEMENT		26 2,800				
	27 Total deductions. Add lines 12 through 26		27 119,100				
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11		28 24,900				
Tax, Refundable Credits, and Payments	29 a Net operating loss deduction (see instructions)		29 a				
	b Special deductions (Schedule C, line 24)		29 b				
	c Add lines 29a and 29b		29 c 0				
	30 Taxable income. Subtract line 29c from line 28. See instructions		30 24,900				
	31 Total tax (Schedule J, Part I, line 11)		31 5,230				
	32 Reserved for future use		32				
	33 Total payments and credits (Schedule J, Part III, line 23)		33 2,400				
34 Estimated tax penalty. See instructions. Check if Form 2220 is attached <input type="checkbox"/>		34					
35 Amount owed. If line 33 is smaller than the total of lines 31 and 34, enter amount owed		35 2,830					
36 Overpayment. If line 33 is larger than the total of lines 31 and 34, enter amount overpaid		36					
37 Enter amount from line 36 you want: Credited to 2023 estimated tax Refunded		37					
Sign Here Signature of officer _____ Date _____ Title _____		<div>Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.</div> <div>May the IRS discuss this return with the preparer shown below? See instructions. <input type="checkbox"/> Yes <input type="checkbox"/> No</div>					
Paid Preparer Use Only Print/Type preparer's name _____ Preparer's signature _____ Date _____ Firm's name V.I.P. TAX INC. Firm's EIN 00-0000000 Firm's address 3 PEACHTREE LANE, JACKSON, TN 38305 Phone no. _____		Check <input type="checkbox"/> if self-employed PTIN _____					

Schedule C Dividends, Inclusions, and Special Deductions (see instructions)		(a) Dividends and inclusions	(b) %	(c) Special deductions (a) x (b)
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)		50	
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)		65	
3	Dividends on certain debt-financed stock of domestic and foreign corporations		See instructions	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities		23.3	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities		26.7	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs		50	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs		65	
8	Dividends from wholly owned foreign subsidiaries		100	
9	Subtotal. Add lines 1 through 8. See instructions for limitations		See instructions	
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11	Dividends from affiliated group members		100	
12	Dividends from certain FSCs		100	
13	Foreign-source portion of dividends received from a specified 10%-owned foreign corporation (excluding hybrid dividends) (see instructions)		100	
14	Dividends from foreign corporations not included on line 3, 6, 7, 8, 11, 12, or 13 (including any hybrid dividends)			
15	Reserved for future use			
16 a	Subpart F inclusions derived from the sale by a controlled foreign corporation (CFC) of the stock of a lower-tier foreign corporation treated as a dividend (attach Form(s) 5471) (see instructions)		100	
b	Subpart F inclusions derived from hybrid dividends of tiered corporations (attach Form(s) 5471) (see instructions)			
c	Other inclusions from CFCs under subpart F not included on line 16a, 16b, or 17 (attach Form(s) 5471) (see instructions)			
17	Global Intangible Low-Taxed Income (GILTI) (attach Form(s) 5471 and Form 8992)			
18	Gross-up for foreign taxes deemed paid			
19	IC-DISC and former DISC dividends not included on line 1, 2, or 3			
20	Other dividends			
21	Deduction for dividends paid on certain preferred stock of public utilities			
22	Section 250 deduction (attach Form 8993)			
23	Total dividends and inclusions. Add column (a), lines 9 through 20. Enter here and on page 1, line 4			
24	Total special deductions. Add column (c), lines 9 through 22. Enter here and on page 1, line 29b			

Schedule J Tax Computation and Payment (see instructions)**Part I - Tax Computation**

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120)). See instructions	<input type="checkbox"/>	
2	Income tax. See instructions		5,230
3	Base erosion minimum tax amount (attach Form 8991)		
4	Add lines 2 and 3		5,230
5a	Foreign tax credit (attach Form 1118)	5a	
b	Credit from Form 8834 (see instructions)	5b	
c	General business credit (attach Form 3800)	5c	
d	Credit for prior year minimum tax (attach Form 8827)	5d	
e	Bond credits from Form 8912	5e	
6	Total credits. Add lines 5a through 5e	6	
7	Subtract line 6 from line 4	7	5,230
8	Personal holding company tax (attach Schedule PH (Form 1120))	8	
9a	Recapture of investment credit (attach Form 4255)	9a	
b	Recapture of low-income housing credit (attach Form 8611)	9b	
c	Interest due under the look-back method - completed long-term contracts (attach Form 8697)	9c	
d	Interest due under the look-back method - income forecast method (attach Form 8866)	9d	
e	Alternative tax on qualifying shipping activities (attach Form 8902)	9e	
f	Interest/tax due under section 453A(c) and/or section 453(l)	9f	
g	Other (see instructions - attach statement)	9g	
10	Total. Add lines 9a through 9g	10	
11	Total tax. Add lines 7, 8, and 10. Enter here and on page 1, line 31	11	5,230

Part II - Reserved For Future Use

12	Reserved for future use	12	
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Part III - Payments and Refundable Credits

13	2021 overpayment credited to 2022	13	
14	2022 estimated tax payments	14	2,400
15	2022 refund applied for on Form 4466	15	()
16	Combine lines 13, 14, and 15	16	2,400
17	Tax deposited with Form 7004	17	
18	Withholding (see instructions)	18	
19	Total payments. Add lines 16, 17, and 18	19	2,400
20	Refundable credits from:		
a	Form 2439	20a	
b	Form 4136	20b	
c	Reserved for future use	20c	
d	Other (attach statement - see instructions)	20d	
21	Total credits. Add lines 20a through 20d	21	
22	Reserved for future use	22	
23	Total payments and credits. Add lines 19 and 21. Enter here and on page 1, line 33	23	2,400

Form **1120** (2022)

Schedule K Other Information (see instructions)

1 Check accounting method: a <input checked="" type="checkbox"/> Cash b <input type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) _____	Yes	No
2 See the instructions and enter the:		
a Business activity code no. <u>442299</u>		
b Business activity <u>RETAIL TRADE</u>		
c Product or service <u>FURNITURE</u>		
3 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? If "Yes," enter name and EIN of the parent corporation _____		X
4 At the end of the tax year:		
a Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part I of Schedule G (Form 1120) (attach Schedule G).		X
b Did any individual or estate own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part II of Schedule G (Form 1120) (attach Schedule G).	X	
5 At the end of the tax year, did the corporation:		
a Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation not included on Form 851 , Affiliations Schedule? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below.		X

(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage Owned in Voting Stock

b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below.		X
--	--	---

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Country of Organization	(iv) Maximum Percentage Owned in Profit, Loss, or Capital

6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? See sections 301 and 316 If "Yes," file Form 5452 , Corporate Report of Nondividend Distributions. See the instructions for Form 5452. If this is a consolidated return, answer here for the parent corporation and on Form 851 for each subsidiary.		X
7 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of the total voting power of all classes of the corporation's stock entitled to vote or at least 25% of the total value of all classes of the corporation's stock? For rules of attribution, see section 318. If "Yes," enter: (a) Percentage owned _____ and (b) Owner's country _____ (c) The corporation may have to file Form 5472 , Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter the number of Forms 5472 attached _____		X
8 Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/> If checked, the corporation may have to file Form 8281 , Information Return for Publicly Offered Original Issue Discount Instruments.		
9 Enter the amount of tax-exempt interest received or accrued during the tax year \$ _____		
10 Enter the number of shareholders at the end of the tax year (if 100 or fewer) _____		
11 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here (see instructions) <input type="checkbox"/> If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3) must be attached or the election will not be valid.		
12 Enter the available NOL carryover from prior tax years (do not reduce it by any deduction reported on page 1, line 29a.). \$ _____		

Form **1120** (2022)

Schedule K Other Information (continued from page 4)

	Yes	No
13 Are the corporation's total receipts (page 1, line 1a, plus lines 4 through 10) for the tax year and its total assets at the end of the tax year less than \$250,000?		X
If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year \$ _____		
14 Is the corporation required to file Schedule UTP (Form 1120), Uncertain Tax Position Statement? See instructions		
If "Yes," complete and attach Schedule UTP.		
15 a Did the corporation make any payments in 2022 that would require it to file Form(s) 1099?	X	
b If "Yes," did or will the corporation file required Form(s) 1099?	X	
16 During this tax year, did the corporation have an 80%-or-more change in ownership, including a change due to redemption of its own stock?		X
17 During or subsequent to this tax year, but before the filing of this return, did the corporation dispose of more than 65% (by value) of its assets in a taxable, non-taxable, or tax deferred transaction?		X
18 Did the corporation receive assets in a section 351 transfer in which any of the transferred assets had a fair market basis or fair market value of more than \$1 million?		X
19 During the corporation's tax year, did the corporation make any payments that would require it to file Forms 1042 and 1042-S under chapter 3 (sections 1441 through 1464) or chapter 4 (sections 1471 through 1474) of the Code?		X
20 Is the corporation operating on a cooperative basis?		X
21 During the tax year, did the corporation pay or accrue any interest or royalty for which the deduction is not allowed under section 267A? See instructions		X
If "Yes," enter the total amount of the disallowed deductions \$ _____		
22 Does the corporation have gross receipts of at least \$500 million in any of the 3 preceding tax years? (See sections 59A(e)(2) and (3))		X
If "Yes," complete and attach Form 8991.		
23 Did the corporation have an election under section 163(j) for any real property trade or business or any farming business in effect during the tax year? See instructions		X
24 Does the corporation satisfy one or more of the following? See instructions		X
a The corporation owns a pass-through entity with current, or prior year carryover, excess business interest expense.		
b The corporation's aggregate average annual gross receipts (determined under section 448(c)) for the 3 tax years preceding the current tax year are more than \$27 million and the corporation has business interest expense.		
c The corporation is a tax shelter and the corporation has business interest expense.		
If "Yes," complete and attach Form 8990.		
25 Is the corporation attaching Form 8996 to certify as a Qualified Opportunity Fund?		X
If "Yes," enter amount from Form 8996, line 15 \$ _____		
26 Since December 22, 2017, did a foreign corporation directly or indirectly acquire substantially all of the properties held directly or indirectly by the corporation, and was the ownership percentage (by vote or value) for purposes of section 7874 greater than 50% (for example, the shareholders held more than 50% of the stock of the foreign corporation)? If "Yes," list the ownership percentage by vote and by value. See instructions		X
Percentage: By Vote		
By Value		

Form **1120** (2022)

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		40,000		29,227
2a	Trade notes and accounts receivable	95,327		96,000	
b	Less allowance for bad debts	(NONE)	95,327	(15,000)	81,000
3	Inventories		40,000		25,000
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach statement)		15,000		15,000
7	Loans to shareholders		3,000		3,000
8	Mortgage and real estate loans				
9	Other investments (attach statement)				
10a	Buildings and other depreciable assets	18,854		72,854	
b	Less accumulated depreciation	(5,345)	13,509	(11,345)	61,509
11a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)		NONE		20,000
13a	Intangible assets (amortizable only)	3,400		3,400	
b	Less accumulated amortization	(1,600)	1,800	(2,800)	600
14	Other assets (attach statement)				
15	Total assets		208,636		235,336
Liabilities and Shareholders' Equity					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year		10,000		15,000
18	Other current liabilities (attach statement)				
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more		12,363		15,963
21	Other liabilities (attach statement)				
22	Capital stock: a Preferred stock				
	b Common stock	30,000	30,000	30,000	30,000
23	Additional paid-in capital				
24	Retained earnings - Appropriated (attach statement)				
25	Retained earnings - Unappropriated		156,273		174,373
26	Adjustments to shareholders' equity (attach statement)				
27	Less cost of treasury stock	()		()	
28	Total liabilities and shareholders' equity		208,636		235,336

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return

Note: The corporation may be required to file Schedule M-3. See instructions.

1	Net income (loss) per books	20,600	7	Income recorded on books this year not included on this return (itemize): Tax-exempt interest \$ _____	
2	Federal income tax per books	4,900			
3	Excess of capital losses over capital gains				
4	Income subject to tax not recorded on books this year (itemize): _____		8	Deductions on this return not charged against book income this year (itemize): a Depreciation \$ 1,000 b Charitable contributions \$ _____	
5	Expenses recorded on books this year not deducted on this return (itemize): a Depreciation \$ _____ b Charitable contributions \$ _____ c Travel and entertainment \$ 400				1,000
6	Add lines 1 through 5	25,900	9	Add lines 7 and 8	1,000
			10	Income (page 1, line 28) - line 6 less line 9	24,900

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Schedule L, Line 25)

1	Balance at beginning of year	156,273	5	Distributions: a Cash	
2	Net income (loss) per books	20,600		b Stock	2,500
3	Other increases (itemize): _____			c Property	
			6	Other decreases (itemize): _____	
			7	Add lines 5 and 6	2,500
4	Add lines 1, 2, and 3	176,873	8	Balance at end of year (line 4 less line 7)	174,373

=====

Line 26 - Other Deductions

Amortization	1,200
Meals	400
Travel & Lodging	<u>1,200</u>
Total	<u><u>2,800</u></u>

Compensation of Officers

OMB No. 1545-0123

▶ Attach to Form 1120, 1120-C, 1120-E, 1120-REIT, 1120-RIC, or 1120-S.

► Information about Form 1125-E and its separate instructions is at www.irs.gov/form1125e.

Name _____

Employer identification number	
--------------------------------	--

INTERIOR INNOVATIONS, INCORPORATED

00-00000000

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

(a) Name of officer	(b) Social security number (see instructions)	(c) Percent of time devoted to business	Percent of stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
1					
GINNY BORROWER	000-00-0001	100.0000 %	100.0000 %	%	54,000
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
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		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
2	Total compensation of officers			2	54,000
3	Compensation of officers claimed on Form 1125-A or elsewhere on return			3	
4	Subtract line 3 from line 2. Enter the result here and on Form 1120, page 1, line 12 or the appropriate line of your tax return			4	54,000

For Paperwork Reduction Act Notice, see separate instructions.

Form **1125-E** (Rev. 10-2016)

[illegible]



MGIC Worksheets

There are several resources available to help you calculate self-employed borrower cash flow or the net rental income from a rental property.

This module includes our:

- MGIC SAM Cash Flow Analysis Worksheet
- MGIC Liquidity Worksheet
- MGIC Comparative Income Analysis Worksheet
- MGIC Rental Income Worksheet

Each year, we update our worksheets to reflect the most recent changes in the tax forms. Line-by-line navigation of each tax schedule makes them easy to follow.

The rationale behind whether you should add/deduct the amount of a line item to/from cash flow is universal. Once you've mastered the concepts, you can apply them to any worksheet (unless investor guidelines or company policy require you to use a certain one).

The Agencies and most investors have **no requirements** about which worksheet to use. However, they all require that you clearly show how you determined qualifying income. To view Fannie Mae forms, go to **fanniemae.com**. To view Freddie Mac forms, to go **freddiemac.com**.

You can access any or all of our editable, auto-calculating worksheets at **mgic.com/seb**.

Questions?

If you have questions about our Evaluating the Self-Employed Borrower program, contact your MGIC representative, **mgic.com/contact**.

Access the worksheets at mgic.com/seb

SAM Cash Flow Analysis Worksheet with P&L MGIC			
<div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="width: 60%;"> User Tips: <ul style="list-style-type: none"> Add borrower information in blue-shaded fields Select the tax year(s) being reviewed Click the "O" button to expand income source section Use Summary section to analyze income trends Click the tax form line (shown in green) to access the searchable SEB manual Select the Reset Workbook button on top to clear all information </div> <div style="width: 35%; text-align: right;"> <div style="border: 1px solid #006699; padding: 2px 5px; display: inline-block; margin-bottom: 10px;">Reset Workbook</div> <div style="display: flex; justify-content: space-between;"> <div style="width: 60%;"> BORROWER NAME: </div> <div style="width: 40%;"> DATE: </div> </div> </div> <div style="width: 35%; text-align: center; margin-top: 10px;"> Select the Year(s): </div> </div>			
X	SCHEDULE B - INTEREST AND DIVIDENDS FROM SELF-EMPLOYMENT		
1	Recurring Interest Income: LINE 1 or 1040 LINE 2b		
2	Recurring Dividend Income: LINE 5 or 1040 LINE 3b		
SUBTOTAL		\$ -	\$ -
X	SCHEDULE C - SOLE PROPRIETORSHIP		
<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="width: 60%;">Name:</div> <div style="width: 35%; text-align: right;"> + - </div> </div>			
3	Net Profit (Loss): LINE 31		
4	Deduct nonrecurring income/add nonrecurring loss or expense: LINE 6		
5	Depletion: LINE 12		
6	Depreciation: LINE 13		
7	Meals or Meals and Entertainment Exclusion: LINE 24b		
8	Business Use of Home: LINE 30		
9	Business Miles: page 2, part IV, LINE 44a		
10a	x Depreciation Rate 2022: \$0.26, 2021: \$0.26, 2020: \$0.27		
10b	= Total Mileage Depreciation		
11	Amortization/Casualty Loss (only if noted): page 2, part V		
SUBTOTAL		\$ -	\$ -
X	SCHEDULE D - CAPITAL GAINS AND LOSSES		
12	Recurring Capital Gains (Loss): page 2, LINE 16 (details on FORM 8949)		
SUBTOTAL		\$ -	\$ -
X	SCHEDULE E - SUPPLEMENTAL INCOME AND LOSS To calculate rental property income (loss), use the Rental Income Worksheet		
13	Royalty Income (Loss): LINE 4		
14	Total Expenses: LINE 20		
15	Depreciation Expense or Depletion: LINE 18		
SUBTOTAL		\$ -	\$ -
X	SCHEDULE F - FARM INCOME		
16	Net Profit (Loss): LINE 34		
17	Non-Tax Portion Ongoing Co-op & CCC Pmts: LINES 3a minus b through 6a minus b		
18	Deduct nonrecurring income/add nonrecurring loss: LINE 8		
19	Depreciation: LINE 14		
20	Amortization/Casualty Loss/Depletion (only if noted): LINE 32		
21	Business Use of Home (only if noted): LINE 32		
SUBTOTAL		\$ -	\$ -

Partnership Cash Flow

Evaluate business income as required by your investor.

X PARTNERSHIP		Name:		
SCHEDULE K-1				
22	Ordinary Income (Loss): LINE 1 If > Distributions see additional requirements.			
23	Net Rental Income (Loss): LINES 2 & 3 If > Distributions see additional requirements.			
24	Guaranteed Payments: LINE 4c			
SUBTOTAL		\$	-	\$ -
FORM W-2				
25	Wages: W-2, Box 5 (in general)			
FORM 1065				
26	Passthrough (Income) Loss from Other Partnerships: LINE 4			
27	Deduct nonrecurring income/add nonrecurring loss: LINES 5, 6 & 7			
28	Depreciation: LINE 16c			
29	Depreciation (FORM 8825): LINE 14			
30	Depletion: LINE 17			
31	Amortization/Casualty Loss (only if noted): LINE 20 from attached statement			
32	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 16, Column d	(()
33	Travel and Entertainment Exclusion: Schedule M-1, LINE 4b	(()
SUBTOTAL		\$	-	\$ -
34	Multiplied by Ownership Percentage			
Partner's Total Share of Income (Loss)		\$	-	\$ -

S Corporation Cash Flow

Evaluate business income as required by your investor.

X S CORPORATION		Name:		
SCHEDULE K-1				
35	Ordinary Income (Loss): LINE 1 If > Distributions see additional requirements.			
36	Net Rental Income (Loss): LINES 2 & 3 If > Distributions see additional requirements.			
SUBTOTAL		\$	-	\$ -
FORM W-2				
37	Wages: W-2, Box 5 (in general)			
FORM 1120S				
38	Deduct nonrecurring income/add nonrecurring loss: LINES 4 & 5			
39	Depreciation: LINE 14			
40	Depreciation (FORM 8825): LINE 14			
41	Depletion: LINE 15			
42	Amortization/Casualty Loss (only if noted): LINE 19 from attached statement			
43	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 17, Column d	(()
44	Travel and Entertainment Exclusion: Schedule M-1, LINE 3b	(()
SUBTOTAL		\$	-	\$ -
45	Multiplied by Ownership Percentage			
Shareholder's Total Share of Income (Loss)		\$	-	\$ -

MGIC SAM Cash Flow Analysis Worksheet

Corporation Cash Flow

Evaluate business income as required by your investor.

X CORPORATION		Name:		
FORM W-2				
46	Wages: W-2, Box 5 (in general)			
FORM 1120				
47	Taxable Income: LINE 30			
48	Total Tax: LINE 31	()
49	Deduct nonrecurring gains/add nonrecurring losses: LINES 8 & 9			
50	Deduct nonrecurring income/add nonrecurring loss: LINE 10			
51	Depreciation: LINE 20			
52	Depletion: LINE 21			
53	Amortization/Casualty Loss (only if noted): LINE 26 from attached schedule			
54	Net Operating Loss and Special Deductions: LINES 29a & b			
55	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 17, Column d	()
56	Travel and Entertainment Exclusion: Schedule M-1, LINE 5c	()
SUBTOTAL		\$	-	\$ -
57	Multiplied by Ownership Percentage			
58	Dividends Paid to Borrower: Form 1040, Schedule B, LINE 5	()
Corporation's Total Share of Income (Loss)		\$	-	\$ -

O CORPORATION		Name:		
O CORPORATION		Name:		

Cash Flow Analysis Summary

- To modify the Total No. of Months select the applicable number from the # mo. drop-down box.
- To exclude a Subtotal from Qualifying Income, select the box to the left of the dollar amount.

Subtotal	
<input checked="" type="checkbox"/>	\$ 10,000.00

PERSONAL CASH FLOW SUBTOTALS:		Subtotal	# mo.	Subtotal	# mo.	Qualifying Income	Total No. of Months
PARTNERSHIP & S CORPORATION CASH FLOW SUBTOTALS:							
CORPORATION CASH FLOW SUBTOTALS:							
Average Monthly Cash Flow (Total)					\$	-	

Comments / Notes (For a new line, hold Alt and press Enter)

Access the worksheets at mgic.com/seb

Profit and Loss Statement Analysis

MGIC

User Tips:

- Add borrower information in blue-shaded fields
- Click the "O" button to expand income source section
- Click "+" to add additional columns within business section
- Select the Reset Workbook button on top to clear all information

Reset Workbook

BORROWER NAME:

Sole Proprietorship Cash Flow

Use of this information is discretionary. FOLLOW INVESTOR GUIDELINES.

X SOLE PROPRIETORSHIP	
Time Frame (i.e., YTD, quarterly):	
Date From:	
Date Paid Through:	
Net Profit (Loss):	
Deduct nonrecurring income:	() ()
Add nonrecurring loss:	
Depletion:	
Depreciation:	
Amortization/Casualty Loss:	
Other:	
Total Income:	\$ - \$ -
Monthly Income:	\$ - \$ -

Partnership Cash Flow

Use of this information is discretionary. FOLLOW INVESTOR GUIDELINES.

X PARTNERSHIP	
Time Frame (i.e., YTD, quarterly):	
Date From:	
Date Paid Through:	
Net Income:	
Deduct nonrecurring income:	() ()
Add nonrecurring loss:	
Depreciation:	
Depletion:	
Amortization/Casualty Loss:	
Other:	
SUBTOTAL	\$ - \$ -
Multiplied by Ownership Percentage:	
Partner's Share of Income (Loss):	\$ - \$ -
Wages:	
Guaranteed Payments:	
Total Income:	\$ - \$ -
Monthly Income:	\$ - \$ -

Access the worksheets at mgic.com/seb

S Corporation Cash Flow

Use of this information is discretionary. FOLLOW INVESTOR GUIDELINES.

X S CORPORATION			
Time Frame (i.e., YTD, quarterly):			+ -
Date From:			
Date Paid Through:			
Net Income:			
Deduct nonrecurring income:	()	()	
Add nonrecurring loss:			
Depreciation:			
Depletion:			
Amortization/Casualty Loss:			
Other:			
SUBTOTAL	\$ -	\$ -	
Multiplied by Ownership Percentage:			
Shareholder's Share of Income (Loss):	\$ -	\$ -	
Wages:			
Total Income:	\$ -	\$ -	
Monthly Income:	\$ -	\$ -	

Corporation Cash Flow

Use of this information is discretionary. FOLLOW INVESTOR GUIDELINES.

X CORPORATION			
Time Frame (i.e., YTD, quarterly):			+ -
Date From:			
Date Paid Through:			
Taxable Income:			
Total Tax:	()	()	
Deduct nonrecurring income:	()	()	
Add nonrecurring loss:			
Depreciation:			
Depletion:			
Amortization/Casualty Loss:			
Other:			
SUBTOTAL	\$ -	\$ -	
Multiplied by Ownership Percentage:			
Corporation's Total Share of Income (Loss):	\$ -	\$ -	
Wages:			
Total Income:	\$ -	\$ -	
Monthly Income:	\$ -	\$ -	
Comments / Notes (For a new line, hold Alt and press Enter)			



Liquidity Worksheet

Determine business liquidity using tax return or interim balance sheet and entering the applicable line items below.

In general:

- Use the *Current Ratio* for a business that doesn't rely on inventory to generate its income (i.e., pest control company)
- Use the *Quick Ratio* for a business that relies heavily on inventory to generate its income (i.e., hardware store)

Typically, a result of 1.00 or greater for either ratio demonstrates adequate liquidity. However, it's important to use the most appropriate ratio, based on how the business operates. Investor guidelines may vary and other liquidity methods may apply. FOLLOW INVESTOR GUIDELINES.

NOTE: If there are no business liabilities, results will reflect N/A, indicating adequate liquidity.

Business Name:	Completed by:	Date:
----------------	---------------	-------

Schedule L - Assets		Select the Year(s): ➡		
1	Cash: Line 1, Column d			
2	Trade notes and accounts receivable, less bad debt: Line 2b, Column d			
3	Inventories: Line 3, Column d			
4	Other: <input style="width: 300px;" type="text"/>			
5	Total Current Assets:	\$ -	\$ -	

Schedule L - Liabilities			
6	Accounts Payable: Form 1120S Line 16/Form 1065 Line 15, Column d		
7	Mortgages, notes, bonds payable < 1 year: Form 1120S Line 17/Form 1065 Line 16, Column d		
8	Other current liabilities: Form 1120S Line 18/Form 1065 Line 17, Column d		
9	Total Current Liabilities:	\$ -	\$ -

Current Ratio			
	Total Current Assets: Row 5 - Assets above	\$ -	\$ -
	Total Current Liabilities: Row 9 - Liabilities above	\$ -	\$ -
	Current Ratio: In general, a ratio ≥ 1 demonstrates adequate liquidity	N/A	N/A

Quick Ratio			
	Cash, notes, accounts receivable (less bad debt) & other: Rows 1, 2 & 4 - Assets above	\$ -	\$ -
	Total Current Liabilities: Row 9 - Liabilities above	\$ -	\$ -
	Quick Ratio: In general, a ratio ≥ 1 demonstrates adequate liquidity	N/A	N/A

Comments / Notes (For a new line, hold Alt and press Enter)

Comparative Income Analysis Worksheet

Calculating trend ratios, which compare income statement accounts from one year to the next, is an effective way to analyze the profitability or growth of a business.

User Tips:

- Select tax year(s) from business return and enter applicable line items
- Enter date of the YTD P&L; worksheet will automatically annualize
- YOY% Change automatically populates, eliminating need for manual calculations

Use of this information is discretionary. FOLLOW INVESTOR GUIDELINES.

Business Name:	Digital Network Systems	Date:		Annualization date:	6/30/2023
Completed by:					

	Select the Year(s): ➔	2021	2022	2023
Gross Receipt/Sales		\$ 264,000	\$ 276,000	\$ 303,500
Returns & Allowances		\$ 1,000	\$ 1,000	\$ 1,000
Cost of Goods Sold		\$ 141,000	\$ 146,000	\$ 160,600
Total deductions/Total expenses		\$ 73,200	\$ 73,900	\$ 80,890
- Total deductions for Partnership, S Corporation or Corporation				
- Total expenses for Sole Proprietorship				
Taxable Income		\$ 53,800	\$ 65,100	\$ 63,610
- Ordinary Income (Loss) for Partnership/S Corporation				
- Taxable Income (Loss) for Corporation				
- Net Profit (Loss) for Sole Proprietorship				

Gross Receipts/Sales	\$	264,000		\$	276,000		\$	303,500
% Change			+5%			+10%		
Gross Income	\$	263,000		\$	275,000		\$	302,500
(Gross Receipts/Sales - Returns & Allowances)								
% Change			+5%			+10%		
Cost of Goods Sold (CGS)	\$	141,000		\$	146,000		\$	160,600
% Change			+4%			+10%		
Expenses	\$	214,200	81% *	\$	219,900	80% *	\$	241,490 80% *
(CGS + Total deductions/Total expenses)								
% Change			+3%			+10%		
Gross Profits	\$	122,000		\$	129,000		\$	141,900
(Gross Receipts/Sales - Returns & Allowances - CGS)								
% Change			+6%			+10%		
Taxable Income	\$	53,800	20% **	\$	65,100	24% **	\$	63,610 21% **
% Change			+21%			-2%		

*Annual % of Expenses compared to Gross Income **Annual % of Taxable Income compared to Gross Income

Comments / Notes (For a new line, hold Alt and press Enter)

Rental Income Worksheet



Based on the usage of the property(ies), complete your rental analysis using Schedule E, Lease Agreement (or alternate), or Form 8825, as required by your investor.
(For Schedule E – Traditional Method complete rows 15-18 & 22).

In general, investors require analysis of the most recent tax year for net rental income (loss).
For your convenience, average monthly rental figures are provided.

BORROWER NAME:

COMPLETED BY:

DATE:

Select the Year(s):

Primary Residence (2 - 4 unit)



Schedule E

Property:



Rental Income (Loss) Calculation

1	Number of Months: Maximum 12		
2	Rents Received: Schedule E Line 3		
3	Total Expenses: Schedule E Line 20	()	()
4	Depreciation: Schedule E Line 18		
5	Taxes: Schedule E Line 16		
6	Mortgage Interest: Schedule E Lines 12 & 13		
7	Insurance: Schedule E Line 9		
8	Other: Amortization/Casualty Loss/HOA Dues, if applicable: Schedule E Line 19		
9	Annual Gross Rental Income (Loss)	\$ -	\$ -
10	Monthly Gross Rental Income (Loss) ⓘ	N/A	N/A
11	Average Monthly Gross Rental Income (Loss) ____ months		N/A



Lease Agreement (or alternate)

Property:



Rental Income (Loss) Calculation

12	Gross Monthly Rent	
13	Vacancy Factor (25%) ⓘ	\$ -
14	Adjusted Monthly Rent ⓘ	\$ -

Investment Property



Schedule E

Property:



Rental Income (Loss) Calculation

15	Number of Months: Maximum 12		
16	Rents Received: Schedule E Line 3		
17	Total Expenses: Schedule E Line 20	()	()
18	Depreciation: Schedule E Line 18		
19	Taxes: Schedule E Line 16		
20	Mortgage Interest: Schedule E Lines 12 & 13		
21	Insurance: Schedule E Line 9		
22	Other: Amortization/Casualty Loss/HOA Dues, if applicable: Schedule E Line 19		
23	Annual Gross Rental Income (Loss)	\$ -	\$ -
24	Monthly Gross Rental Income (Loss)	N/A	N/A
25	Monthly PITIA	()	()
26	NET Monthly Rental Income (Loss) ⓘ	N/A	N/A
27	Average NET Monthly Rental Income (Loss) ____ months		N/A



Property:



Rental Income (Loss) Calculation

15	Number of Months: Maximum 12		
16	Rents Received: Schedule E Line 3		
17	Total Expenses: Schedule E Line 20	()	()
18	Depreciation: Schedule E Line 18		
19	Taxes: Schedule E Line 16		
20	Mortgage Interest: Schedule E Lines 12 & 13		
21	Insurance: Schedule E Line 9		
22	Other: Amortization/Casualty Loss/HOA Dues, if applicable: Schedule E Line 19		
23	Annual Gross Rental Income (Loss)	\$ -	\$ -
24	Monthly Gross Rental Income (Loss)	N/A	N/A
25	Monthly PITIA	()	()
26	NET Monthly Rental Income (Loss) ⓘ	N/A	N/A
27	Average NET Monthly Rental Income (Loss) ____ months		N/A

Access the worksheets at mgic.com/seb

MGIC Rental Income Worksheet

Property:

Rental Income (Loss) Calculation

15

Number of Months: Maximum 12

16

Rents Received: Schedule E Line 3

17

Total Expenses: Schedule E Line 20

(

)

(

)

18

Depreciation: Schedule E Line 18

19

Taxes: Schedule E Line 16

20

Mortgage Interest: Schedule E Lines 12 & 13

21

Insurance: Schedule E Line 9

22

Other: Amortization/Casualty Loss/HOA Dues, if applicable: Schedule E Line 19

23

Annual Gross Rental Income (Loss)

\$

-

\$

-

24

Monthly Gross Rental Income (Loss)

N/A

N/A

25

Monthly PITIA

(

)

(

)

26

NET Monthly Rental Income (Loss)

N/A

N/A

27

Average NET Monthly Rental Income (Loss) ____ months

N/A

X

Lease Agreement (or alternate)

Property:

Rental Income (Loss) Calculation

28

Gross Monthly Rent

29

Vacancy Factor (25%)

\$

-

30

Adjusted Monthly Rent

\$

-

31

Monthly PITIA

(

)

32

NET Monthly Rental Income (Loss)

\$

-

Business Rental

X

Form 8825

Property:

Rental Income (Loss) Calculation

33

Number of Months: Maximum 12

34

Gross Rents: Form 8825 Line 2

35

Total Expenses: Form 8825 Line 16

(

)

(

)

36

Depreciation: Form 8825 Line 14

37

Taxes: Form 8825 Line 11

38

Interest: Form 8825 Line 9

39

Insurance: Form 8825 Line 7

40

Other: Amortization/Casualty Loss/HOA Dues, if applicable: Form 8825 Line 15

41

Annual Gross Rental Income (Loss)

\$

-

\$

-

42

Monthly Gross Rental Income (Loss)

N/A

N/A

43

Monthly PITIA

(

)

(

)

44

NET Monthly Rental Income (Loss)

N/A

N/A

45

Average NET Monthly Rental Income (Loss) ____ months

N/A

X

Lease Agreement (or alternate)

Property:

Rental Income (Loss) Calculation

46

Gross Monthly Rent

47

Vacancy Factor (25%)

\$

-

48

Adjusted Monthly Rent

\$

-

49

Monthly PITIA

(

)

50

NET Monthly Rental Income (Loss)

\$

-

Comments / Notes (For a new line, hold Alt and press Enter)

Access the worksheets at mgic.com/seb



SAM Worksheet Help Document

The Schedule Analysis Method, or SAM, worksheet is used to calculate self-employed borrowers' cash flow.

This help resource provides line-by-line explanations for personal and business tax returns following the SAM cash flow method.

When you see the heading **Effect On Cash Flow Analysis Worksheet**, you'll find guidance as to whether you should add/deduct the amount of a line item to/from the borrower's cash flow.

Access the worksheets at mgic.com/seb

Schedule B: Interest and Ordinary Dividends from Self-Employment

Note: The borrower needs to complete Schedule B only if interest and dividend income is greater than \$1,500.

Line 1: List Name of Payer

Interest Income

Identify interest income paid to the borrower from the borrower's business. Review Schedule B, Part I and/or IRS Schedule K-1 or Form 1099-INT to confirm that the payer is the borrower's business.

Effect on Cash Flow Analysis Worksheet

- Add recurring interest income from self-employment

Line 5: List Name of Payer

Dividend Income

Identify dividend income paid to the borrower from the borrower's business. Review Schedule B, Part II and/or IRS Schedule K-1 or Form 1099-DIV to confirm that the payer is the borrower's business.

Effect on Cash Flow Analysis Worksheet

- Add recurring dividend income from self-employment

Schedule C: Profit or Loss From Business (Sole Proprietorship)

A sole proprietorship is a business with a single owner. Sole proprietorships report profit and loss on Schedule C. All profits from a sole proprietorship flow directly to the owner. The owner pays taxes on these profits.

Line 31: Net Profit or (Loss)

The amount the borrower has reported on this line is income or loss generated from business operations.

Effect on Cash Flow Analysis Worksheet

- Add recurring net profit/deduct net loss

Line 6: Other Income

This amount represents money the business received that was not obtained by the profits of the business, e.g., interest income from notes or accounts receivable, or income from miscellaneous receipts. Analyze this income to determine whether it's stable and recurring.

Effect on Cash Flow Analysis Worksheet

- Deduct nonrecurring income/add nonrecurring loss or expense

Line 12: Depletion

Depletion, a noncash expense, is the exhaustion of a natural resource over a given period of time.

Effect on Cash Flow Analysis Worksheet

- Add back the amount

Line 13: Depreciation

Depreciation is a noncash expense allocated over the useful life of a declared asset.

Effect on Cash Flow Analysis Worksheet

- Add back the amount

Line 24b: Deductible Meals

These cash expenses relate to the cost of business-related meals. In general, borrowers deduct 50% of these out-of-pocket costs on the tax return, sometimes more depending upon their occupation. However, since the borrower paid 100% of the expense, subtract the difference from cash flow.

Effect on Cash Flow Analysis Worksheet

- Deduct the amount on line 24b

Note: Per IRS Notice 2021-25, the IRS will temporarily allow for a 100% deduction for expenses paid or incurred in 2021 and 2022 for food or beverages provided by a restaurant. Please consult your internal guidelines as to how to proceed.

Line 30: Expenses for Business Use of Your Home

An individual may operate a business out of the home for which tax deductions for a portion of rent, utilities or maintenance may be available.

Effect on Cash Flow Analysis Worksheet

- Add back the amount

Schedule C: Profit or Loss From Business (Page 2)

Part IV – Information on Your Vehicle

A sole proprietor who uses the standard mileage deduction to estimate vehicle expenses will calculate that expense either here or on Form 4562. The standard deduction includes an estimate for depreciation. Depreciation factors for the 3 most recent years are:

Year	Standard Deduction	Depreciation
2020	57.5¢	27¢
2021	56.0¢	26¢
1/1/22 through 6/30/22	58.5¢	26¢
7/1/22 through 12/31/22	62.5¢	26¢

Line 44a: Business Miles Driven

Effect on Cash Flow Analysis Worksheet

- Multiply the number of miles on Line 44a by the depreciation factor for the appropriate year. Add back the amount

Part V – Other Expenses

The borrower may list certain expenses here that are either noncash expenses or nonrecurring in nature.

Look for the following items:

Amortization

Amortization is the write-off of initial costs incurred prior to the beginning of formal business operations.

Borrowers can expense these one-time costs over a period of time.

Effect on Cash Flow Analysis Worksheet

- Add back the amount

Casualty Loss

Casualty loss is a one-time, extraordinary expense due to damage or destruction of property.

Effect on Cash Flow Analysis Worksheet

- Add back the amount

Schedule D: Capital Gains and Losses

Line 16: Capital Gains and Losses

The borrower reports total gains and losses on Line 16 of Schedule D. Review the itemized list of short- and long-term gains and compare one year's Schedule D to another's to determine whether the income or loss is recurring or not.

Capital Gains

If using capital gains as qualifying income, refer to investor guidelines for documentation and calculation. Typically, a minimum of 2 years' tax returns and evidence that the borrower will continue to acquire assets to generate capital gains is required.

Effect on Cash Flow Analysis Worksheet

- Add recurring capital gains

Capital Losses

Treatment of capital losses varies among investors.

Effect on Cash Flow Analysis Worksheet

- Follow investor guidelines

Note: Don't include pass-through income from the Schedule(s) K-1 that the borrower reported on Schedule D, Line 5 and Line 12.

Schedule E: Supplemental Income and Loss

If your borrower earns royalty income, look for the following line items.

Line 4: Royalties Received

Royalties are compensation paid for the use of another's property based on a percentage of profit or production. The "property" is typically copyrighted material or natural resources. If the borrower has listed royalty income, verify whether it's ongoing and consistent before you use it as qualifying income.

Effect on Cash Flow Analysis Worksheet

- Add recurring royalty income/deduct loss

Line 20: Total Expenses

Effect on Cash Flow Analysis Worksheet

- Deduct royalty expenses

Line 18: Depreciation Expense or Depletion

Depreciation is a noncash expense allocated over the useful life of a declared asset. Depletion, also a noncash expense, is the exhaustion of a natural resource over a given period of time.

Effect on Cash Flow Analysis Worksheet

- Add back the amount

Schedule F: Profit or Loss From Farming

Borrowers with small farming operations typically file Schedule F.

Line 34: Net Farm Profit or (Loss)

Effect on Cash Flow Analysis Worksheet

- Add recurring net profit/deduct net loss

Lines 3-6: Non-Tax Portion Ongoing Co-op & CCC Payments

These lines represent sources of cash flow that may or may not be continuous and ongoing. Don't include any of these items if they represent one-time occurrences. If you can document the income is likely to continue, include the nontaxable portion of this income in the borrower's cash flow.

Note: There may be rare instances where it would make sense to allow a nonrecurring item to remain in cash flow. Review these exceptions on a case-by-case basis.

Effect on Cash Flow Analysis Worksheet

- Deduct income that is nonrecurring and not consistent (lines 3b, 4b, 5a, 5c, 6b, 6d); add back the nontaxable portion of recurring income (lines 3a minus 3b, 4a minus 4b, 5b minus 5c, 6a minus 6b)

Line 8: Other Income

The borrower reports income not earned through farm operations.

Effect on Cash Flow Analysis Worksheet

- Deduct nonrecurring income/add nonrecurring loss

Line 14: Depreciation

Depreciation is a noncash expense allocated over the useful life of a declared asset.

Effect on Cash Flow Analysis Worksheet

- Add back the amount

Line 32: Other Expenses

The borrower reports amortization, business use of home, casualty loss and depletion here.

Effect on Cash Flow Analysis Worksheet

- Add back the amount of amortization, business use of home, casualty losses or depletion

Partnership Cash Flow (Form 1065)

A partnership is an arrangement between 2 or more individuals, generally governed by a partnership agreement.

Schedule K-1 (Form 1065)

The partnership prepares Schedule K-1 (Form 1065) to inform the individual partners of their share of income (loss), deductions and credits.

Line 1: Ordinary Business Income (Loss)

This represents the partner's allocated share of ordinary income or loss from the partnership. The partnership allocates portions of income, loss, deductions and credits earned by the business to its partners. Partners pay tax or take deductions on their personal returns for these "pass-through" items.

Because partners pay tax on income earned by the partnership, they are able to take distributions and withdrawals free of income tax consequences.

Effect on Cash Flow Analysis Worksheet

- Add ordinary income only if the partnership has positive sales and earnings trends, AND:
 - Schedule K-1s reflect a history of the borrower receiving cash distributions consistent with ordinary income. (Refer to Line 19, Distributions, for Code A cash distributions); OR
 - Schedule K-1s do not reflect a history of the borrower receiving cash distributions consistent with ordinary income:
 - But you can document adequate liquidity to support the withdrawal of earnings; OR
 - Limit the amount of qualifying income to the amount of distributions received
- In general, deduct any loss from cash flow. Follow investor guidelines

Lines 2 and 3: Net Rental Real Estate Income (Loss)

If the borrower has reported income or loss from rental real estate activity on this line, the Partnership Return will, in general, include Form 8825: Rental Real Estate Income and Expenses of a Partnership or an S Corporation.

Effect on Cash Flow Analysis Worksheet

- Add continuous and ongoing net rental real estate income if conditions from Line 1, Ordinary business income, are met
- In general, deduct any loss. Follow investor guidelines

Line 4c: Total Guaranteed Payments

This line displays total payments made to the partner for services rendered and/or for the use of capital. These payments are made without regard to the partnership's profits and are subject to self-employment tax.

Typically, document with 2 years' tax returns. Follow investor guidelines.

Effect on Cash Flow Analysis Worksheet

- Add guaranteed payments

Form W-2, Box 5

Identify W-2s that reflect wages paid to the borrower from the borrower's business. However, before you include any W-2 income from the business, you must consider the financial health of it.

In general, use Box 5 to locate wages from self-employment. However, in certain cases, after evaluating the source of income reported in Box 1, it may be appropriate to use the amount in Box 1. Follow investor guidelines.

Effect on Cash Flow Analysis Worksheet

- Add self-employed wages

Form 1065: U.S. Return of Partnership Income

Partnerships report profit or loss on Form 1065. The partnership itself does not pay tax. Partnership profit (loss) is passed to individual partners via Schedule K-1 (Form 1065). The partners pay tax on their proportionate share.

As you analyze cash flow from Form 1065, remember to add/deduct only the borrower's share of income/losses. The borrower's ownership percentage is on Schedule K-1 (Form 1065).

Using income from Form 1065 to qualify the borrower depends upon the viability of the business and the borrower's ability to access funds.

The first page of Form 1065 provides a picture of the business's income and expenses at a given point in time and is basically an income statement.

Line 4: Ordinary Income (Loss) from Other Partnerships, Estates, and Trusts

Partnerships can be partners in other partnerships. Income earned by a partnership waterfalls to its partners.

Effect on Cash Flow Analysis Worksheet

- To avoid double-counting this income, deduct the income/add back the loss

Lines 5-7: Income (Loss) from Other Miscellaneous Sources

Analyze these lines to determine whether the income (loss) is stable and recurring.

Effect on Cash Flow Analysis Worksheet

- Deduct nonrecurring income/add nonrecurring loss

Line 16c: Depreciation

Depreciation is a noncash expense allocated over the useful life of a declared asset.

Effect on Cash Flow Analysis Worksheet

- Add back the amount

Line 17: Depletion

Depletion, a noncash expense, is the exhaustion of a natural resource over a given period of time.

Effect on Cash Flow Analysis Worksheet

- Add back the amount

Line 20: Other Deductions

Review the supporting statement for deductions for amortization and any one-time casualty losses.

Effect on Cash Flow Analysis Worksheet

- Add back amortization and/or casualty loss

Schedule L – Balance Sheets per Books

This section of Form 1065 provides a picture of the business's assets and liabilities and the owners' equity at the beginning and the end of the tax year.

Note: IRS guidelines do not require every business to complete Schedule L.

Schedule L, Line 16, Column D: Mortgages, Notes, Bonds Payable in Less Than 1 Year

Business obligations that are payable in less than 1 year may have a negative impact on cash flow.

Effect on Cash Flow Analysis Worksheet

- In general, deduct the amount in Column D; however, if you determine these obligations have a "rollover" clause or there are ample liquid assets to cover these obligations, a deduction may not be necessary

Schedule M-1 – Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Line 4b: Travel and Entertainment

Business-related expenses (travel, meals and entertainment) reported on Schedule M-1 have been excluded from taxable income.

Effect on Cash Flow Analysis Worksheet

- Deduct the amount on Line 4b, which reflects nondeductible expenses paid. Follow investor guidelines

***Note:** Per IRS Notice 2021-25, the IRS will temporarily allow for a 100% deduction for expenses paid or incurred in 2021 and 2022 for food or beverages provided by a restaurant. Please consult your internal guidelines as to how to proceed.

S Corporation Cash Flow (Form 1120S)

An S Corporation is a legal entity with a limited number of shareholders.

Schedule K-1 (Form 1120S)

S Corporations prepare Schedule K-1 (Form 1120S) to inform individual shareholders of their share of income (loss), deductions and credits.

Line 1: Ordinary Business Income (Loss)

This represents the shareholder's allocated share of ordinary income (loss) from the S Corporation. The business allocates S Corporation shareholders' portions of income, loss, deductions and credits earned. Shareholders pay tax or take deductions on their personal returns for these "pass-through" items.

Because shareholders pay tax on income earned by the S Corporation, they are able to take distributions and withdrawals free of income tax consequences.

Effect on Cash Flow Analysis Worksheet

- Add ordinary income only if the S Corporation has positive sales and earnings trends, AND:
 - Schedule K-1s reflect a history of the borrower receiving cash distributions consistent with ordinary income. (Refer to Line 16, Items affecting shareholder basis, for Code D cash distributions); OR
 - Schedule K-1s do not reflect a history of the borrower receiving cash distributions consistent with ordinary income:
 - But you can document adequate liquidity to support the withdrawal of earnings; OR
 - Limit the amount of qualifying income to the amount of distributions received
- In general, deduct any loss. Follow investor guidelines

Lines 2 and 3: Net Rental Real Estate Income (Loss)

If the borrower has reported income or loss from net rental real estate activity on this line, the S Corporation Return will generally include Form 8825: Rental Real Estate Income and Expenses of a Partnership or an S Corporation.

Effect on Cash Flow Analysis Worksheet

- Add continuous and ongoing net rental real estate income if conditions from Line 1, Ordinary business income, are met
- In general, deduct any loss. Follow investor guidelines

Form W-2, Box 5

Identify W-2s that reflect wages paid to the borrower from the borrower's business. However, before you include any W-2 income from the business, you must consider the financial health of it.

In general, use Box 5 to locate wages from self-employment. However, in certain cases, after evaluating the source of income reported in Box 1, it may be appropriate to use the amount in Box 1. Follow investor guidelines.

Effect on Cash Flow Analysis Worksheet

- Add self-employed wages

Form 1120S: U.S. Income Tax Return for an S Corporation

S Corporations report profit or loss on Form 1120S. The S Corporation itself does not pay tax. S Corporation profit (loss) is passed to individual shareholders via Schedule K-1 (1120S). The shareholders pay tax on their proportionate share.

As you analyze cash flow from Form 1120S, remember to add/deduct only the borrower's share of income/losses. The borrower's ownership percentage is on Schedule K-1 (Form 1120S).

Using income from Form 1120S to qualify the borrower depends upon the viability of the business and the borrower's ability to access funds.

The first page of Form 1120S provides a picture of the business's income and expenses at a given point in time and is basically an income statement.

Lines 4 and 5: Income (Loss) From Miscellaneous Sources

Analyze these lines to determine whether the income (loss) is stable and recurring.

Effect on Cash Flow Analysis Worksheet

- Deduct nonrecurring income/add nonrecurring loss

Line 14: Depreciation

Depreciation is a noncash expense allocated over the useful life of a declared asset.

Effect on Cash Flow Analysis Worksheet

- Add back the amount

Line 15: Depletion

Depletion, a noncash expense, is the exhaustion of a natural resource over a given period of time.

Effect on Cash Flow Analysis Worksheet

- Add back the amount

Line 19: Other Deductions

Review the supporting statement for deductions for amortization and any one-time casualty losses.

Effect on Cash Flow Analysis Worksheet

- Add back amortization and/or casualty loss

Schedule L – Balance Sheets per Books

This section of Form 1120S provides a picture of the business's assets and liabilities and the owners' equity at the beginning and the end of the tax year.

Note: IRS guidelines do not require every business to complete Schedule L.

Line 16, Column D: Mortgages, Notes, Bonds Payable in Less Than 1 Year

Business obligations payable in less than 1 year may have a negative impact on cash flow.

Effect on Cash Flow Analysis Worksheet

- In general, deduct the amount in Column D; however, if you determine these obligations have a "rollover" clause or there are ample liquid assets to cover these obligations, a deduction may not be necessary

Schedule M-1 – Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Line 3b: Travel and Entertainment

Business-related expenses (travel, meals and entertainment) reported on Schedule M-1 have been excluded from taxable income.

Effect on Cash Flow Analysis Worksheet

- Deduct the amount on Line 3b, which reflects nondeductible expenses paid. Follow investor guidelines

***Note:** Per IRS Notice 2021-25, the IRS will temporarily allow for a 100% deduction for expenses paid or incurred in 2021 and 2022 for food or beverages provided by a restaurant. Please consult your internal guidelines as to how to proceed.

Corporation Cash Flow (Form 1120)

A corporation is a legal entity, separate and distinct from its shareholders.

Form W-2, Box 5

Identify W-2s that reflect wages paid to the borrower from the borrower's business. However, before you include any W-2 income from the business, you must consider the financial health of it.

In general, use Box 5 to locate wages from self-employment. However, in certain cases, after evaluating the source of income reported in Box 1, it may be appropriate to use the amount in Box 1. Follow investor guidelines.

Effect on Cash Flow Analysis Worksheet

- Add self-employed wages

Form 1120: U.S. Corporation Income Tax Return

Corporations report profit (loss) on Form 1120. They are taxed on their profits. Corporate profit (loss) is distributed to shareholders in the form of dividends.

As you analyze cash flow from Form 1120, remember to add/deduct only the borrower's share of income/losses. The borrower's ownership percentage is usually on Form 1125-E.

Using income from the 1120 to qualify the borrower depends upon the viability of the business and the borrower's ability to access funds.

The first page of Form 1120 provides a picture of the business's income and expenses at a given point in time and is basically an income statement.

Note: In order for corporate earnings to be eligible as qualifying income, investors generally require that the borrower is a 100% owner of the business.

Line 30: Taxable Income

The amount on this line represents the corporation's income after deductions but before income tax. This is the starting point of the analysis.

Effect on Cash Flow Analysis Worksheet

- Add taxable income

Line 31: Total Tax

Unlike partnerships and S Corporations, regular corporations pay income tax. Deduct taxes before determining cash flow.

Effect on Cash Flow Analysis Worksheet

- Deduct the tax liability

Lines 8 and 9: Capital and Net Gains

Examine any capital and net gains (losses) listed on page 1 of Form 1120, details of which are reported on Schedule D and Form 4797.

Effect on Cash Flow Analysis Worksheet

- Deduct nonrecurring gains/add nonrecurring losses

Line 10: Other Income

Analyze this income to determine whether it's stable and recurring.

Effect on Cash Flow Analysis Worksheet

- Deduct nonrecurring income/add nonrecurring loss

Line 20: Depreciation

Depreciation is a noncash expense allocated over the useful life of a declared asset.

Effect on Cash Flow Analysis Worksheet

- Add back the amount

Line 21: Depletion

Depletion, a noncash expense, is the exhaustion of a natural resource over a given period of time.

Effect on Cash Flow Analysis Worksheet

- Add back the amount

Line 26: Other Deductions

Review the supporting statement for deductions for amortization and any one-time casualty losses.

Effect on Cash Flow Analysis Worksheet

- Add back amortization and/or casualty loss

Lines 29a and 29b: Net Operating Loss and Special Deductions

When a corporation sustains a loss in one year, it has the ability to offset income earned in future years.

In ensuing years, the corporation may include a previous year's loss on its corporate tax return, even though it might not have experienced the loss that year.

A corporation that receives dividend income may be able to take a deduction for a certain percentage of the amount it received. This deduction is a noncash expense.

Effect on Cash Flow Analysis Worksheet

- Add back the amount

Schedule L – Balance Sheets per Books

This section of Form 1120 provides a picture of the business's assets and liabilities and the owners' equity at the beginning and the end of the tax year.

Note: IRS guidelines do not require every business to complete Schedule L.

Line 17, Column D: Mortgages, Notes, Bonds Payable in Less Than 1 Year

Business obligations payable in less than 1 year may have a negative impact on cash flow.

Effect on Cash Flow Analysis Worksheet

- In general, deduct the amount in Column D; however, if you determine these obligations have a "rollover" clause or there are ample liquid assets to cover these obligations, a deduction may not be necessary

Schedule M-1 – Reconciliation of Income (Loss) per Books With Income per Return

Line 5c: Travel and Entertainment

Business-related expenses (travel, meals and entertainment) reported on Schedule M-1 have been excluded from taxable income.

Effect on Cash Flow Analysis Worksheet

- Deduct the amount from Line 5c, which reflects nondeductible expenses paid. Follow investor guidelines

***Note:** Per IRS Notice 2021-25, the IRS will temporarily allow for a 100% deduction for expenses paid or incurred in 2021 and 2022 for food or beverages provided by a restaurant. Please consult your internal guidelines as to how to proceed.



Rental Income Worksheet Help Document

The Rental Worksheet Help Doc provides line-by-line explanations for the Schedule E and assists with using our Rental Income Worksheet.

Access the worksheets at mgic.com/seb

Schedule E – Income or Loss from Rental Real Estate

If your borrower earns rental income, look for the following line items.

Note: Be sure to check each property listed on Schedule E against the borrower's Schedule of Real Estate Owned on the Loan Application. If the borrower no longer owns the property, exclude the income (loss) from that property from your analysis.

In general, you only need to analyze the most recent tax year for net rental income.

Schedule E – PITIA Calculation

Use the current PITIA (Principal, Interest, Taxes, Insurance and All other) for each rental property. Review Schedule E for numerous line item add-backs.

Follow investor guidelines.

Schedule E – Traditional Calculation

Do not use the current PITIA for each rental property. Review Schedule E for limited line item add-backs.

Follow investor guidelines.

Line 3: Rents Received

The amount the borrower reports on this line is income generated from rental real estate.

Effect on Rental Income Worksheet

- **PITIA or Traditional Calculation** – Add recurring rental income

Line 20: Total Expenses

The borrower reports total expenses associated with rental real estate.

Effect on Rental Income Worksheet

- **PITIA or Traditional Calculation** – Deduct recurring expenses

Line 18: Depreciation Expense or Depletion

Depreciation is a noncash expense allocated over the useful life of a declared asset. Depletion, a noncash expense, is the exhaustion of a natural resource over a given period of time.

In general, the borrower calculates the total depreciation deduction on Form 4562 and transfers the amount to Schedule E.

Effect on Rental Income Worksheet

- **PITIA or Traditional Calculation** – Add back the amount

Lines 9, 12, 13 and 16: Insurance, Mortgage Interest, Other Interest and Taxes

The borrower reports insurance, mortgage interest and tax expenses on these lines.

Effect on Rental Income Worksheet

- **PITIA Calculation** – Add back the amounts, regardless of whether the items are escrowed
- **Traditional Calculation:**
 - If **Investment Property**; make no adjustment
 - If **Primary Residence (2-4 unit)**; add back the amounts

Line 19: Other

The borrower may list certain expenses that are either noncash expenses (e.g., amortization) or nonrecurring in nature (e.g., casualty loss). In addition, homeowners association dues, which are recurring, may be listed here.

Effect on Rental Income Worksheet

- **PITIA Calculation** – Add back the amount included in the current PITIA payment and any amortization and/or casualty loss
- **Traditional Calculation** – Add back only amortization and/or casualty loss

Form 8825: Rental Real Estate Income and Expenses of a Partnership or an S Corporation

Partnerships and S Corporations use Form 8825 to report income and deductible expenses from rental real estate activities, including taxable income (loss), which flow to the partner/shareholder through Schedule K-1.

When the borrower is personally obligated for related mortgage debt – as evidenced on a credit report – analyze Form 8825 using the Principal, Interest, Taxes, Insurance and All other (PITIA) method on the Rental Income Worksheet to offset the mortgage debt. Follow investor guidelines.

FYI: Rental Income & Cash Flow Analysis Worksheets

Line items reported on Form 8825 affect the borrower's rental income and cash flow.

- Use our Rental Income Worksheet to analyze reported income
- Use the Cash Flow Analysis Worksheet to add back depreciation the borrower reported

Line 2: Gross Rents

The amount the business reports on this line is income generated from rental real estate.

Effect on Rental Income Worksheet

- **PITIA Calculation** – Add recurring rental income

Line 16: Total Expenses

The business reports total expenses associated with rental real estate.

Effect on Rental Income Worksheet

- **PITIA Calculation** – Deduct recurring expenses

Line 14: Depreciation

Depreciation is a noncash business expense allocated over the useful life of a declared asset.

In general, the borrower calculates the total depreciation deduction on Form 4562 and transfers the amount to Form 8825.

Effect on Rental Income Worksheet

- **PITIA Calculation** - Add back the amount

Effect on Cash Flow Analysis Worksheet

- Add back the amount

Lines 7, 9, 11: Insurance, Interest and Taxes

Effect on Rental Income Worksheet

- **PITIA Calculation** - Add back the amounts, regardless of whether items are escrowed or not

Line 15: Other

The borrower may report certain expenses that are either noncash expenses (e.g., amortization) or nonrecurring in nature (e.g., casualty loss). In addition, homeowners association dues, which are recurring, may be reported here.

Effect on Rental Income Worksheet

- **PITIA Calculation** - Add back the amount included in the current PITIA and any amortization and/or casualty loss

Notes

[illegible]



Additional Resources

Use the resources in this module to make your analysis easier.

Tax Forms & Schedules highlights the various forms and schedules that may be used to document income and deductions.

The **Documentation Matrix** provides a list of the documents you need from a self-employed borrower in order to conduct your analysis.

The **Glossary of Terms and Definitions** – from Accounts Payable to Trademark – may help you develop a better understanding of the elements involved in business ownership.

Access the worksheets at mgic.com/seb

Tax Forms & Schedules

Borrowers may use a variety of tax forms and schedules to document their income and deductions.

Personal Income

- **Form 1040:** U.S. Individual Income Tax Return
- **Schedule 1:** Additional Income and Adjustments to Income
- **Schedule A:** Itemized Deductions
- **Schedule B:** Interest and Ordinary Dividends
- **Schedule C:** Profit or Loss From Business
- **Form 4562:** Depreciation and Amortization
- **Schedule D:** Capital Gains and Losses
- **Form 8949:** Sales and Other Dispositions of Capital Assets
- **Schedule E:** Supplemental Income and Loss
- **Form 8582:** Passive Activity Loss Limitations
- **Schedule F:** Profit or Loss From Farming

Note:

Form 1040-SR: U.S. Tax Return for Seniors – has the same line items as Form 1040, but it's formatted a bit differently. The form has a bigger font size to make the words easier to read. In addition, the form isn't shaded, and it prominently displays the standard deduction chart. Filers of Form 1040-SR are not required to be retired, but must be aged 65 or older. For purposes in this manual, references to Form 1040 U.S. Individual Income Tax Return also include Form 1040-SR.

Business Income

- **Schedule K-1 (Form 1065):** Partner's Share of Income, Deductions, Credits, etc., from Partnership Schedule
- **Form 1065:** U.S. Return of Partnership Income
- **Schedule K-1 (Form 1120-S):** Shareholder's Share of Income, Deductions, Credits, etc., from S Corporation
- **Form 1120-S:** U.S. Income Tax Return for an S Corporation
- **Form 8825:** Rental Real Estate Income and Expenses of a Partnership or an S Corporation
- **Form 1120:** U.S. Corporation Income Tax Return
- **Form 1125-E:** Compensation of Officers

Documentation Matrix

The following matrix identifies the documentation you need from self-employed borrowers to substantiate the various types of income they may receive from different business structures.

Note: All documents must be from the most recent 2-year period. The borrower must sign all tax returns and year-to-date information. Request business tax returns when the borrower has 25% or greater ownership interest in a business.

	Sole Proprietorship	Partnership (General, Limited or LLC)	S Corporation	Corporation
Form 1040: U.S. Individual Income Tax Return) with all applicable schedules and W-2s	X	X	X	X
Schedule C: Profit or Loss from Business	X			
Schedule E, Part II: Income or Loss From Partnerships or S Corporations		X	X	
Schedule K-1 (Form 1065): Partner's Share of Income, Deductions, Credits, etc.		X		
Form 1065: U.S. Return of Partnership Income with all applicable schedules		X		
Schedule K-1 (Form 1120-S): Shareholder's Share of Income, Deductions, Credits, etc.			X	
Form 1120-S: U.S. Income Tax Return for an S Corporation with all applicable schedules			X	
Form 1120: U.S. Corporate Income Tax Return with all applicable schedules				X
Year-to-Date Profit & Loss Statement/ Interim Balance Sheet: as applicable	X	X	X	X
Partnership Agreement: may be required		X		
Corporate Resolution: may be required			X	X

**Digital Network Systems
Balance Sheet**

Date: _____

Assets

Current Assets

Cash	\$ 23,650	
California State municipal bond	6,000	
Accounts receivable	45,900	
Less allowance for bad debt	(4,590)	
US Bank Certificate of Deposit	17,400	
Inventory	73,195	
Total Current Assets		161,555

Fixed Assets

Building	190,000	
Less accumulated depreciation	(55,400)	
Total Fixed Assets		134,600

Other Assets

Investment in Maddox	128,500	
US Treasury Bill	5,000	
Total Other Assets		133,500

Total Assets	<u><u>\$ 429,655</u></u>
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Liabilities

Current Liabilities

Accounts payable	19,300	
Mortgage payable	21,850	
Credit card payable	3,610	
Total Current Liabilities		44,760

Other Liabilities

Mortgage payable	104,180	
Profit-sharing liability	8,450	
Total Other Liabilities		112,630

Total Liabilities	<u>157,390</u>
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Equity

Equity

Capital stock	2,000	
Additional paid-in capital	50,000	
Retained earnings	220,265	
Total Equity		272,265

Total Liabilities and Equity	<u><u>\$ 429,655</u></u>
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Glossary of Terms and Definitions

Accounts Payable

Amounts owed to creditors for items or services purchased from them

Accounts Receivable

Amounts due from customers for goods sold

Accrual Basis of Accounting

An accounting method that matches revenues and expenses incurred whether cash has been received or paid, i.e., revenues are recognized when sales are made or services performed even though cash has not yet been received. Expenses are recognized as incurred whether cash has been paid or not

Accrued Expenses Payable

Debts incurred but not yet paid, such as federal income tax or the current portion of long-term debt

Accumulated Retained Earnings

The after-tax earnings not distributed by the corporation to its stockholders. This money is put back into the business to conduct ongoing operations

Administrative Expenses

Overhead expenses incurred in the overall management of a business, including executive salaries, rent on administrative buildings and insurance

Amortization

The write-off of initial costs incurred by the borrower prior to the beginning of formal business operations. Examples of initial costs include survey fees, goodwill, trademarks, patents, copyrights, customer lists, non-compete agreements and prepayments. Borrowers can expense these one-time costs over a period of time

Assets

Items of value, owned and are measured in terms of money

Balance Sheet

Summarizes a business's assets, liabilities and owners' equity as of a specific date

Capital

Funds belonging to the owners of a business, invested with the expressed intention of remaining permanently in the business. Another source of capital is earnings retained by the business

Capital Gains and Losses

Gains and losses not related to the normal business activity; usually nonrecurring. For example, if a business sells some stock and loses money in the transaction, this would be considered a capital loss

Capitalization Expense

An accounting method that recognizes expenses as intangible assets to be annually expensed, such as organization expenses and research and development

Capital Stock

An account showing the interest or ownership in a business by its stockholders

Capital Surplus

The amount paid for stock over its par value

Cash

Money on hand, demand deposits, undeposited checks, drafts and money orders

Cash Basis of Accounting

An accounting method that recognizes revenues when cash is received and expenses when cash is paid

Cash Flow

Funds the borrower is going to use to repay the mortgage

Casualty Loss

A one-time extraordinary expense due to damage or destruction of property from an identifiable event that is sudden, unexpected or unusual, such as an earthquake, flood or hurricane

Chattel Property

Assets that have a short life span, such as furniture, cars and office equipment

Common Stock

Stock representing residual equity in a corporation. Common stockholders rank behind preferred stockholders for dividend payment and claims against assets in event of liquidation. If only 1 class of stock is issued, it is common stock

Corporation

A legal entity, separate and distinct from its shareholders. It can sue, be sued, hold/convey and receive property and enter into contracts under its own name

Cost of Goods Sold

The cost of the inventory used to produce the goods of the business

Cost of Sales

The costs the business incurs to provide its services

Current Assets

Assets that can be reasonably expected to convert to cash within 1 year of the date of the balance sheet

Current Liabilities

Debts due within 1 year from the date on the balance sheet

Current Portion of Long-term Debt

The portion of long-term debt (e.g., mortgage debt) due within 1 year from the date of the balance sheet

Deferred Charge

Debt incurred that will be paid in the future

Deferred Expenses

Expenses incurred that will be paid in the future

Depletion

The exhaustion of a natural resource such as oil, gas, standing timber or mineral deposits. The IRS allows a business that exhausts a natural resource in the course of normal operation to allocate the total costs of that natural resource over a given period of time

Depreciation

A noncash expense allocated over the useful life of a declared asset. The "expense" reflects a reasonable allowance for wear and tear of an asset. The depreciated asset wears out, becomes obsolete or gets used-up and eventually needs to be replaced

Dividend and Interest Income

Dividend and interest income is income earned from investments

Expenses

Costs incurred during a period of time from delivering or producing goods, rendering services, or carrying out other activities that constitute a business's ongoing operations

Federal Income Tax Payable

Debt due to the Internal Revenue Service

Fixed Assets

Long-term assets not intended for sale or easily converted to cash, e.g., buildings and equipment

General Administrative Expenses

Costs of doing business not directly related to the selling process

General Partnership

A business where at least 2 partners conduct business jointly and have unlimited liability (meaning their personal assets are liable for the partnership's debts). The partners pay tax on their proportionate share of the partnership income/loss

Goodwill

An intangible asset in a business balance sheet representing a premium paid at time of purchase for the business's management skill, know-how and favorable reputation with customers

Gross Income

Income derived from all sources before taxes

Income from Operations

Income a business receives as a result of ongoing business operations

Income Statement

Summarizes a business's revenues, costs and expenses over a period of time

Intangible Assets

Noncurrent, nonphysical assets of a business, such as goodwill, patents and trademarks

Intangible Drilling Costs

Costs incurred for the labor and equipment used in drilling; in general, discretionary expenses

Inventories

Items of tangible property that are (1) held for sale in the ordinary course of business, (2) in process of production for such sale or (3) to be used for producing goods or services that will be available for sale

Land

Ground upon which the buildings of an enterprise are located

Liabilities

Debts or obligations that usually have a known or determinable amount, maturity date and party to whom payment is to be made

Limited Liability Company (LLC)

A business that has the characteristics of both a partnership and a corporation. Its members participate in the management of the company without being personally liable for the debts of the company. The members pay tax on their proportionate share of the company income/loss. In some cases, an LLC may elect to be treated as a corporation and file Form 1120

Limited Partnership

A business where at least 1 general and 1 limited partner conduct business. The general partner typically controls daily operations and makes business decisions; the limited partner is silent but has a financial stake. The liability of the general partner is unlimited, whereas the liability of the limited partner is limited to their investment. The partners pay tax on their proportionate share of the partnership income/loss

Liquid Assets

Cash or those assets that are easily converted into cash, such as marketable securities

Long-Term Liabilities

Debts due more than 1 year from the date of the balance sheet

Machinery

Heavy equipment used in manufacturing a product or performing a service for a customer

Marketable Securities

Readily salable securities easily converted to cash

Modified Accelerated Cost Recovery System (MACRS)

A method of calculating depreciation with a larger portion of the asset expensed in the early years of its estimated useful life

Net Income After Taxes

Income remaining after provision for or payment of taxes

Net Income Before Taxes

Income before provision for taxes

Net Profit

Profit remaining after all expenses and charges have been deducted

Nonrecurring Expense

A one-time expense or loss. For example, a casualty loss is a one-time extraordinary expense due to damage or destruction of property from an identifiable event that is sudden, unexpected or unusual, such as an earthquake, flood or hurricane

Nonrecurring Income

Income from one-time events. Since you can't expect it to continue, you can't consider it as qualifying income toward cash flow. Examples include the sale of an asset or a prize or other windfall

Notes Payable

Written promises to pay sums of money at a future date, usually with interest at a specified rate

Other Assets

Assets that are intangible or are acquired for long-term rights and privileges

Other sources of income

Income the business receives not generated from normal business operations

Owners' Equity

The corporation's net worth (book value of the business) after subtracting liabilities from assets. It is the owners' interest in a corporation, consisting of capital and retained earnings

Preferred Stock

Stock that has certain preference rights over common stock as to dividends and claims against assets in the event of liquidation

Prepayments

Expenses paid before they are used or incurred, such as taxes and rent

Provision for Taxes

The expense provision for state and federal taxes

Real Property

Land and any property attached to land which cannot be moved, e.g., a rental home or commercial property

Recurring Expense

Ongoing expense associated with the day-to-day operation of a business. Examples include wages, insurance, car and truck expenses, etc.

Recurring Income

Ongoing income you can expect to continue for at least the next 3 years in order to consider it as qualifying income for cash flow. Examples of recurring income include earnings from the operation of a business, interest from long-term investments or even lottery winnings paid out over a number of years

Research and Development Costs

Costs of research and development, usually expensed at the time they are incurred

Retained Earnings

Net earnings not distributed by the corporation to its shareholders

Revenue

Capital flowing into the business. There are 2 types of revenue accounts: sales and other sources of income

S Corporation

A legal entity with a limited number of shareholders. Its shareholders participate in the management of the corporation without being personally liable for the debts of the corporation. The shareholders pay tax on their proportionate share of the corporate income/loss

Sales

The primary source of revenue a business receives for goods sold or services offered

Selling Expenses

Costs the business incurs in the process of selling and marketing its goods and/or services

Sole Proprietorship

A business with a single owner. It has no separation between the business entity and its owner

Straight-Line Method of Depreciation

A method to calculate depreciation that distributes the same dollar amount of depreciation to expense each period. For example, a \$10,000 car with a useful life of 10 years would depreciate by \$1,000 each year

Trademark

A symbol, design, brand name or any other indication of easy and ready recognition attributed to a product

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



Evaluating the
Self-Employed
Borrower and
Other Sources
of Income

2022 TAX YEAR



DESIGNS FOR
LEARNING

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