

Using Rental Income from a Business- Owned Property **TAX YEAR 2023**

MGIC

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Knowledge leads to confidence!

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**Income
calculation tools**

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What do I need to start?

Loan application

- Tells borrower's story

Tax returns

- Personal
- Business
- 1 or 2 years of each

Worksheet

- Documents your decisions

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Rental worksheets

Fannie Mae Form 1039

Rental Income Worksheet

Business Rental Income from non-subject Investment Property(1): Qualifying Impact of Mortgage Investment Property PITIA Expense

Documentation Required:
 • IRS Form 8825 (Filed with either IRS Form 1065 or 1120S) OR
 • Lease Agreement

Property Address	Property	Property Address	Property
Enter the mortgage and the mortgage loan account number.	Mortgages#	Mortgages#	Mortgages#

Step 1. When using IRS Form 8825, determine the number of months the property was in service by dividing the Fair Rental Days by 30.
if Fair Rental Days are not reported, the property is considered to be in service for 12 months unless there is evidence of a shorter term of service.

Step 1. Result: Enter the number of months the property was in service. **Result:**

Step 2. Calculate monthly property cash flow using Step 2A. IRS Form 8825 OR Step 2B. Lease Agreement.

Step 2A. IRS Form 8825 (IRS Form 1065 or 1120S) For each property complete ONLY 2A or 2B

Enter gross rents received	Enter				
Enter total expenses	Subtract				
Enter insurance expense	Add				
Enter mortgage interest paid	Add				
Enter tax expense	Add				
Enter homeowners' association dues. This expense must be specifically identified on Form 8825 in order to add it back.	Add				
Enter depreciation expense or depletion	Add				
Enter any one-time extraordinary expense (e.g., casualty loss). There must be evidence of the nature of the one-time extraordinary expense	Add				
Total		0	0	0	0
Equals adjusted rental income					
The number of months the property was in service (Step 1. Result).	Divide	0	0	0	0
Equals adjusted monthly rental income					
Total		0	0	0	0
Enter PITIA (for non-subject property).	Subtract				
Step 2A. Result: Monthly property cash flow	Result:	0	0	0	0

Step 2B. Lease Agreement For each property complete ONLY 2B or 2B
 This method is used in certain circumstances (e.g., when the property was acquired subsequent to the most recent tax filing or the lender has justification for using a lease agreement)

Enter the gross monthly rent (from the lease agreement) For multi-unit properties, combine the monthly qualifying income of all rental units	Enter				
The remaining 25% accounts for vacancy loss, maintenance, and management expenses	Multiply	x.75	x.75	x.75	x.75
Total		0	0	0	0
Equals adjusted monthly rents					
Enter proposed PITIA (for subject property) or existing PITIA (for non-subject property).	Subtract				

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Borrower Name: _____

Form 92 Net Rental Income Calculations – Schedule E

Form 92 is to be used to document the Seller's calculation of net rental income from Schedule E. This form is a tool to help the Seller calculate the net rental income from Schedule E; the Seller's calculations must be based on the requirements and guidance for the determination of stable monthly income in Guide Chapter 5306. This form does not replace the requirements and guidance for the analysis and treatment of rental income as described in Chapter 5306.

I. Net Rental Income from Schedule E (Subject 2- to 4-unit Primary Residence)

SUBJECT 2- TO 4-UNIT PRIMARY RESIDENCE NET RENTAL INCOME CALCULATION – SCHEDULE E¹
 Refinance Transaction owned in the prior year(s)

Subject Property Address: _____

IRS 1040 Schedule E – Supplemental Income and Loss

	Year:	
	Year:	Year:
Rents received	(+)	(+)
Less total expenses	(-)	(-)
Insurance ²	(+)	(+)
Mortgage interest paid to banks, etc. ³	(+)	(+)
Taxes (real estate only) ^{3,4}	(+)	(+)
Depreciation and/or depletion	(+)	(+)
Homeowners association (HOA) dues (if specifically reported as an expense) ⁵	(+)	(+)
One-time losses (e.g., casualty loss) if documented	(+)	(+)
Subtotal(s)	\$	\$
Result: Net Rental Income (calculated to a monthly amount)⁶ <small>(Sum of subtotal(s) divided by number of applicable months = Net Rental Income)</small>	\$ _____ / _____ =	\$ _____

¹Refer to Section 5306.16(1)(i) for net rental income calculation requirements.
²This expense, if added back, must be included in the monthly housing expense being used to establish the DTI ratio.
³The taxes added back must represent only real estate taxes included in the monthly housing expense.
⁴Establishing DTI ratio (Section 5306.16(4)). The monthly housing expense must be added as a liability; the net rental income may be added to the stable monthly income.

MGIC Rental Income Worksheet

[MGIC.com/seb](https://www.mgic.com/seb)

Rental Income Worksheet **MGIC**

Business Rental

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
43	Monthly PITIA	()
44	NET Monthly Rental Income (Loss)		N/A
45	Average NET Monthly Rental Income (Loss) _____ months		N/A

Lease Agreement (or alternate)

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

Cash flow worksheets

 **Cash Flow Analysis (Form 1084)**

Borrower Name: _____
 Business Name (optional): _____

This worksheet may be used to prepare a written evaluation of the analysis of income related to self-employment. The purpose of this written analysis is to determine the amount of stable and continuous income that will be available to the borrower for loan qualifying purposes.

IRS Form 1040 – Individual Income Tax Return Year _____ Year _____

1. W-2 Income from Self-Employment (+) _____ (+) _____

2. Schedule B – Interest and Ordinary Dividends

a. Interest Income from Self-Employment (+) _____ (+) _____
 b. Dividends from Self-Employment (+) _____ (+) _____

3. Schedule C – Profit or Loss from Business: Sole Proprietorship

a. Net Profit or (Loss) (+/-) _____ (+/-) _____
 b. Nonrecurring Other (Income) Loss/Expenses (+/-) _____ (+/-) _____
 c. Depreciation (+) _____ (+) _____
 d. Depreciation (+) _____ (+) _____
 e. Non-deductible Travel and Meals Expenses (-) _____ (-) _____
 f. Business Use of Home (+) _____ (+) _____
 g. Amortization/Casualty Loss (+) _____ (+) _____

4. Schedule D – Capital Gains and Losses

a. Recurring Capital Gains (+) _____ (+) _____

5. Schedule E – Supplemental Income and Loss
 Note: A lender may use Fannie Mae Rental Income Worksheets (Form 1037 or Form 1038) to calculate individual rental income (loss) reported on Schedule E.

a. Royalties Received (+) _____ (+) _____
 b. Total Expenses (-) _____ (-) _____
 c. Depreciation (+) _____ (+) _____


6. Schedule F – Profit or Loss from Farming

a. Net Farm Profit or (Loss) (+/-) _____ (+/-) _____
 b. Non-Tax Portion Ongoing Coop and CCC Payments (+/-) _____ (+/-) _____
 c. Nonrecurring Other (Income) Loss (+/-) _____ (+/-) _____
 d. Depreciation (+) _____ (+) _____
 e. Amortization/Casualty Loss/Depletion (+) _____ (+) _____
 f. Business Use of Home (+) _____ (+) _____

Note: IRS Form 4797 (Sales of Business Property) is not included on this worksheet due to its infrequent use. If applicable, a lender may include analysis of the sale and related recurring capital gains.

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Borrower Name: _____

 **Form 91**
Income Calculations
(Schedule Analysis Method)

Form 91 is to be used to document the Seller's calculation of the income for a self-employed Borrower. This form is a tool to help the Seller calculate the income for a self-employed Borrower; the Seller's calculations must be based on the requirements and guidance for the determination of stable monthly income in Topic 3300. This form does not replace the requirements and guidance for the analysis and treatment of the income for self-employed Borrowers as described in Chapters 5304 and 5305.

I. Income Calculations from IRS Form 1040

IRS Form 1040 Federal Individual Income Tax Return	Year:	Year:
1. W-2 Income from self-employment (reported on IRS Forms 1040 and 1120 or 1120S)		
Name of business: _____		
IRS Form 1040, W-2 Income – Officer Compensation (Section 5304.1(d)) ¹	(+)	(+)
Subtotal of W-2 income from self-employment	\$	\$

¹Validate with business returns and IRS Form 1125-E, Compensation of Officers, as applicable.

2. Schedule B – Interest and Ordinary Dividends		
Recurring interest income (Chapter 5305)	(+)	(+)
Recurring dividend income (Chapter 5305)	(+)	(+)
Dividend income from self-employment reported on IRS Form 1120	(-)	(-)
Subtotal of dividends and interest	\$	\$

Freddie Mac Single-Family Seller/Service Guide Bulletin 2019-9
 05/01/19 Page P91-1

All-in-one self-employed income calculator

Excel XLSM – macro-enabled

Excel XLSX – macro-free

Excel XLSX – macro-free short

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The image displays a stack of overlapping screenshots from a software help document titled "SAM Worksheet - Help Document". The visible worksheets include:

- Profit and Loss Statement Analysis**: Shows a table with columns for "Expenses" and "Gross Profit".
- Comparative Income Analysis Worksheet**: Features a table with "Cost of Goods Sold (COGS)" and monetary values.
- Liquidity Worksheet**: Contains a table with "Cash: Line 1" and "Other: Line 2" categories.
- Cash Flow Analysis Summary**: Includes a table with "Trade notes", "Inventories", and "Mortgages".
- SAM Cash Flow Analysis Worksheet**: A detailed form with sections for "PERSONAL CASH", "SCHEDULE B - INTEREST AND DIVIDENDS FROM SELF EMPLOYMENT", "SCHEDULE X - SOLE PROPRIETORSHIP", "SCHEDULE C - SINGLE MEMBER LLC", "SCHEDULE D - CAPITAL GAINS AND LOSSES", "SCHEDULE E - SUPPLEMENTAL INCOME AND LOSS", and "SCHEDULE F - FARM INCOME". It includes various input fields and a "Print Worksheet" button.

At the bottom of the screenshots, there is a navigation bar with links for "SAM", "Liquidity", "Comparative", "P&L", "Help Doc", and "Microsoft Instructions".

mgic.com/seb

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The screenshot displays the MGIC website's landing page for self-employed borrower and income analysis calculators. The page features a dark blue header with the MGIC logo and navigation links: Rates, Underwriting, Origination / Servicing, Training, Tools, Mortgage Connects, and About MGIC. A pink button labeled 'Get a quick quote' is positioned in the top right corner. The main content area has a light blue background with the title 'Self-employed borrower and income analysis calculators' and a sub-headline: 'Editable and auto-calculating worksheets fitted specifically for loan officers and mortgage pros.' Below this, a breadcrumb trail reads 'MGIC > underwriting >'. An image shows a person using a laptop displaying a calculator interface. To the right, a text block titled 'Gain instant access to MGIC's enhanced self-employed borrower and income analysis calculators' provides details: 'Equipped for speed and accuracy, our editable and auto-calculating worksheets are now available in macro-enabled and macro-free versions.' It lists updates for tax year 2023 (All-in-one self-employed income calculator, Rental income calculator) and for 2024 (Employment and other income calculator). A 'Gain access now' link is at the bottom.



Meet the borrowers

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Loan application

Case study, page xx

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Uniform Residential Loan Application

Verify and complete the information on this application. If you are applying for information as directed by your Lender.

Section 1: Borrower Information. This section asks about employment and other sources, such as retirement, that you want considered for this loan.

1a. Personal Information

Name (First, Middle, Last, Suffix) JAMES JOHNSON

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

Type of Credit: I am applying for individual credit. I am applying for joint credit. Total Number of Borrowers: 1 Each Borrower intends to apply for joint credit. Your Initials: _____

Marital Status: Married Number: _____ Separated Ages: _____ Unmarried Single, Divorced, Widowed, Civil Union, Domestic Partnership, Registered Reciprocal Beneficiary Relationship

Dependents (not listed by another Borrower): _____

Current Address: Street 1750 PROSPERITY DRIVE City JACKSON State TN ZIP 38305

How Long at Current Address? ___ Years ___ Months Housing No primary housing expense Own Rent (___ month(s))

If at Current Address for LESS than 2 years, list Former Address: Does not apply

Mailing Address - if different from Current Address: Does not apply

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

Employer or Business Name PROPERTY MAINTENANCE NINJAS P Street 300 W COMMERCIAL AVENUE City JACKSON State TN ZIP 38305

Position or Title OWNER I am an employer/property party to it

Start Date 02 / 15 / 2021 I am employed by a family member, property seller, real estate agent, or other party to the transaction

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

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

1c. IF APPLICABLE, Complete Information for Additional Employment

Employer or Business Name J & J PROPERTY SOLUTIONS Street 2500 N EXECUTIVE DRIVE City JACKSON State TN ZIP 38305

Position or Title OWNER I am an employer/property party to it

Start Date 09 / 01 / 2016 I am employed by a family member, property seller, real estate agent, or other party to the transaction

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

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

1c. IF APPLICABLE, Complete Information for Additional Employment

Employer or Business Name HIDE AWAY STORAGE Street 42 WILLOW BLVD City JACKSON State TN ZIP 38305

Position or Title OWNER I am an employer/property party to it

Start Date 01 / 01 / 2019 I am employed by a family member, property seller, real estate agent, or other party to the transaction

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

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

Section 3: Financial Information - Refinance

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. I do not own any real estate.

Address Street 1750 PROSPERITY DRIVE City JACKSON

Property Value \$475,000 Status: Sold, Pending Sale, or Retained Intended Occupancy: Investment, Primary Residence, Second Home, Other

Mortgage Loans on this Property Does not apply

Creditor Name	Account Number	Monthly Mortgage Payment
XYZ MORTGAGE	8912342	\$
		\$

3b. IF APPLICABLE, Complete Information for Additional Property

Address Street 123 CLOUD STREET City JACKSON

Property Value \$250,000 Status: Sold, Pending Sale, or Retained Intended Occupancy: Investment, Primary Residence, Second Home, Other

Mortgage Loans on this Property Does not apply

Creditor Name	Account Number	Monthly Mortgage Payment
ABC MORTGAGE	89158315	\$
		\$

3c. IF APPLICABLE, Complete Information for Additional Property

Address Street 205 GOODVIEW LANE City JACKSON

Property Value \$475,000 Status: Sold, Pending Sale, or Retained Intended Occupancy: Investment, Primary Residence, Second Home, Other

Mortgage Loans on this Property Does not apply

Creditor Name	Account Number	Monthly Mortgage Payment
ABC COMMERCIAL BK	1981654572	\$
		\$

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) JESSICA JOHNSON

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

Type of Credit: I am applying for individual credit. I am applying for joint credit. Total Number of Borrowers: 2 Each Borrower intends to apply for joint credit. Your Initials: _____

Marital Status: Married Number: _____ Separated Ages: _____ Unmarried Single, Divorced, Widowed, Civil Union, Domestic Partnership, Registered Reciprocal Beneficiary Relationship

Dependents (not listed by another Borrower): _____

Contact Information: Home Phone () - - - - - Call Phone (731) 888 - 5200 Work Phone () - - - - - Ext. _____ Email: JESSJOHNSON@ANYWHERE.COM

Current Address: Street 1750 PROSPERITY DRIVE City JACKSON State TN ZIP 38305

How Long at Current Address? ___ Years ___ Months Housing No primary housing expense Own Rent (___ month(s))

If at Current Address for LESS than 2 years, list Former Address: Does not apply

Mailing Address - if different from Current Address: Does not apply

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

Employer or Business Name CREATIVE DESIGN CONCEPTS Phone (731) 322 - 8544 Street 2000 INNOVATIONS WAY City JACKSON State TN ZIP 38301

Position or Title OWNER I am employed by a family member, property seller, real estate agent, or other party to the transaction

Start Date 02 / 26 / 2017 I am employed by a family member, property seller, real estate agent, or other party to the transaction

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

Check if you are the Business I have an ownership share of less than 25%. Monthly Income (or Loss) Owner or Self-Employed I have an ownership share of 25% or more. \$ 5653

Gross Monthly Income	Amount
Base	\$ ___ month
Overtime	\$ ___ month
Bonus	\$ ___ month
Commission	\$ ___ month
Military	\$ ___ month
Other	\$ ___ month
TOTAL	\$ 8.00 month

1c. IF APPLICABLE, Complete Information for Additional Employment/Self Employment and Income Does not apply

Employer or Business Name EQUITABLE PROPERTY GROUP, LLC Phone (731) 322 - 8544 Street 1750 PROSPERITY DRIVE City JACKSON State TN ZIP 38305

Position or Title OWNER I am employed by a family member, property seller, real estate agent, or other party to the transaction

Start Date 02 / 26 / 2018 I am employed by a family member, property seller, real estate agent, or other party to the transaction

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

Check if you are the Business I have an ownership share of less than 25%. Monthly Income (or Loss) Owner or Self-Employed I have an ownership share of 25% or more. \$ 2000

Gross Monthly Income	Amount
Base	\$ ___ month
Overtime	\$ ___ month
Bonus	\$ ___ month
Commission	\$ ___ month
Military	\$ ___ month
Other	\$ ___ month
TOTAL	\$ 8.00 month



Borrowers' businesses

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

Employer or Business Name PROPERTY MAINTENANCE NINJAS Phone (731) 226 - 1255
 Street 800 W. COMMERCIAL AVENUE Unit # _____
 City JACKSON State TN ZIP 38305 Country USA

Position or Title OWNER
 Start Date 02 / 15 / 2021 (mm/dd/yyyy)

Gross Monthly Income
 Base \$ _____ /month
 Overtime \$ _____ /month
 Bonus \$ _____ /month
 Commission \$ _____ /month
 Military _____

Check if this statement applies:
 I am employed by a family member, property seller, real estate agent, or other

1c. IF APPLICABLE, Complete Information for Additional Employment/Self-Employment and Income Does not apply

Employer or Business Name EQUITABLE PROPERTY GROUP, LLC Phone (731) 122 - 8544
 Street 1750 PROSPERITY DRIVE Unit # _____
 City JACKSON State TN ZIP 38305 Country USA

Position or Title OWNER
 Start Date 05 / 20 / 2018 (mm/dd/yyyy)
 How long in this line of work? 5 Years _____ Months

Gross Monthly Income
 Base \$ _____ /month
 Overtime \$ _____ /month
 Bonus \$ _____ /month
 Commission \$ _____ /month
 Military Entitlements \$ _____ /month
 Other \$ _____ /month
TOTAL \$ _____ **0.00** /month

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. \$ 2096

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Property Owned by Business

LLC owns real estate and will report income on IRS Form 1065 or 1120-S which will include IRS Form 8825

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Meet Jessica Johnson

50% partner in Equitable Property Group, LLC (property owner)

- Schedule E, page 2
- Partnership Schedule K-1
- Form 1065
- Form 8825

100% owner of Creative Design Concepts, Inc.

- SEB W-2
- Form 1120



Ownership percentage

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Schedule K-1 (Form 1120-S)

Ownership
percentage

Part II: Box G

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671121
OMB No. 1545-0123

2023

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

For calendar year 2023, or tax year beginning / / 2023 ending / /

Final K-1 Amended K-1

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items		13 Credits
1	Ordinary business income (loss)	
2	Net rental real estate income (loss)	
3	Other net rental income (loss)	
4	Interest income	
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
10	Other income (loss)	
11	Section 179 deduction	17 Other information
12	Other deductions	
18	<input type="checkbox"/> More than one activity for at-risk purposes*	

Part I Information About the Corporation

A Corporation's employer identification number

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

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

F Shareholder's name, address, city, state, and ZIP code

G Current year allocation percentage %

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

Schedule K-1 (Form 1065)

Ownership
percentage

Part II: Box J

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651123
OMB No. 1545-0123

2023

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

For calendar year 2023, or tax year beginning / / 2023 ending / /

Final K-1 Amended K-1

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)	
3 Other net rental income (loss)	15 Credits
4a Guaranteed payments for services	
4b Guaranteed payments for capital	16 Schedule K-3 is attached if checked
4c Total guaranteed payments	17 Alternative minimum tax (AMT) items
5 Interest income	
6a Ordinary dividends	
6b Qualified dividends	18 Tax-exempt income and nondeductible expenses
6c Dividend equivalents	
7 Royalties	
8 Net short-term capital gain (loss)	19 Distributions
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.

Part I Information About the Partnership

A Partnership's employer identification number

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

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.)

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.

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?

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	%	%
Loss	%	%
Capital	%	%

Check if decrease is due to:
 Sale or Exchange of partnership interest. See instructions.

K1 Partner's share of liabilities:

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

K2 Check this box if item K1 includes liability amounts from lower-tier partnerships

K3 Check if any of the above liability is subject to guarantees or other payment obligations by the partner. See instructions

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	\$

For IRS Use Only

For Paperwork Reduction Act Notice, see the Instructions for Form 1065. www.irs.gov/Form1065 Cat. No. 11364R Schedule K-1 (Form 1065) 2023

A decorative border surrounds the central text. It consists of a grid of colorful geometric shapes (squares, triangles, circles) in shades of pink, blue, yellow, green, and orange. On the right side, the MGIC logo is prominently displayed in white text on a dark blue background.

**Tax forms:
Personal and
business**

2023 Form 1040

Case study, page 16

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Form 1040 U.S. Individual Income Tax Return **2023** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1-Dec. 31, 2023, or other tax year beginning 2023, ending 2023. See instructions.

Your first name and middle initial: **James**
 If joint return, spouse's first name and middle initial: **Jessica**
 Home address (number and street), city, town, or post office, if you have a different address for mail, state, and ZIP+4®: **1750 Prosperity Dr Jackson**
 Foreign country name: _____

Filing Status Single Married filing jointly
 Check only one box. Married filing separately Qualifying widow(er) with dependent child

Digital Assets At any time during 2023, did you have digital assets? Yes No

Standard Deduction Spouse itemizes I am not itemizing

Age/Blindness You: Were born before 1/1/50 Were born after 12/31/49
 Dependents (see instructions): (1) First name: _____

Income 1a Total amount of wages, salaries, tips, etc. (see instructions): _____
 b Household employer's wages, salaries, tips, etc. (see instructions): _____
 c Tax-exempt interest (see instructions): _____
 d Dividend or capital gain distributions (see instructions): _____
 e Taxable Social Security benefits (see instructions): _____
 f Unemployment compensation (see instructions): _____
 g Wages from employer on Form 1099-R if tax was withheld (see instructions): _____
 h Other earnings (see instructions): _____
 i Nontaxable interest (see instructions): _____
 z Add lines 1a through 1i: _____

Attach Sch. B if required. 2a Tax-exempt interest (see instructions): _____
 3a Qualified plan or IRA distributions (see instructions): _____
 4a IRA distributions (see instructions): _____
 5a Pension or annuity payments (see instructions): _____
 6a Social Security benefits (see instructions): _____
 c If you elect to have your Social Security benefits taxed, enter the amount of the taxable portion (see instructions): _____
 7 Capital gain distributions (see instructions): _____
 8 Additional capital gain distributions (see instructions): _____
 9 Add lines 7 and 8: _____
 10 Adjustment to taxable income (see instructions): _____
 11 Subtract line 10 from line 9: _____
 12 Standard deduction (see instructions): _____
 13 Qualified business income deduction (see instructions): _____
 14 Add lines 11, 12, and 13: _____
 15 Subtract line 14 from line 11: _____

Tax and Credits 16 Tax (see instructions). Check if any from Form(s): 1 8814 2 4972 3 _____
 17 Amount from Schedule 2, line 3: _____
 18 Add lines 16 and 17: _____
 19 Child tax credit or credit for other dependents from Schedule 8812: _____
 20 Amount from Schedule 3, line 8: _____
 21 Add lines 19 and 20: _____
 22 Subtract line 21 from line 18. If zero or less, enter -0-: _____
 23 Other taxes, including self-employment tax, from Schedule 2, line 21: _____
 24 Add lines 22 and 23. This is your **total tax**: _____

Payments 25 Federal income tax withheld from:
 a Form(s) W-2: _____ 25a 15,000.
 b Form(s) 1099: _____ 25b _____
 c Other forms (see instructions): _____ 25c _____
 d Add lines 25a through 25c: _____ 25d 15,000.
 26 2023 estimated tax payments and amount applied from 2022 return: _____ 26 16,000.
 27 Earned income credit (EIC) (see instructions): _____ 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 31,000.

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: **35a** _____
 Direct deposit? Yes No. See instructions.
 b Routing number: [X][X][X][X][X][X][X][X][X][X] c Type: Checking Savings
 d Account number: [X][X][X][X][X][X][X][X][X][X][X][X][X][X][X][X] e Savings account number: _____
 36 Amount of line 34 you want **applied to your 2024 estimated tax**: _____ 36 _____

Amount You Owe 37 Subtract line 33 from line 24. This is the **amount you owe**: _____ 37 597.
 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. Yes. Complete below. No
 Designee's name: _____ Phone no.: _____ Personal identification number (PIN): _____

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** If the IRS sent you an Identity Protection PIN, enter it here (see inst.): _____
 Spouse's signature. If a joint return, **both** must sign. _____ Date: _____ Spouse's occupation: **Self Employed** If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.): _____

Preparer's name: _____ Preparer's signature: _____ Date: _____ PTIN: _____ Check if: Self-employed
 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 01/27/24 TTW Form **1040** (2023)

Schedule 1

Case study, page 18

mortgage guaranty
insurance corporation

SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.		2023 Attachment Sequence No. 01
Name(s) shown on Form 1040, 1040-SR, or 1040-NR James & Jessica Johnson			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		
3	Date of original divorce or separation agreement (see instructions):	3	52,655.	
4	Business income or (loss). Attach Schedule C	4		
5	Other gains or (losses). Attach Form 4797	5	98,600.	
6	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	6		
7	Farm income or (loss). Attach Schedule F	7		
8	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 ABL 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. This is your additional income . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	10	151,255.	

For Paperwork Reduction Act Notice, see your tax return instructions. Schedule 1 (Form 1040) 2023

Personal 1040 Schedule E – Part II

Case study, page 40

mortgage guaranty insurance corporation

Schedule E (Form 1040) 2023 Attachment Sequence No. 13 Page 2

Name(s) shown on return. Do not enter name and social security number if shown on other side.
James & Jessica Johnson 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	Hide Away Storage	P	<input type="checkbox"/>	00-0000000	<input type="checkbox"/>	<input type="checkbox"/>
B	Equitable Property Group, LLC	P	<input type="checkbox"/>	00-0000000	<input type="checkbox"/>	<input type="checkbox"/>
C	J & J Property Solutions	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	2,000.			10,000.
B		26,000.		
C		61,000.		
D				
29a Totals		87,000.		10,000.
b Totals	2,000.			
30	Add columns (h) and (k) of line 29a			30 97,000.
31	Add columns (g), (i), and (j) of line 29b			31 (2,000.)
32	Total partnership and S corporation income or (loss). Combine lines 30 and 31			32 95,000.

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 98,600.
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 AN; 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 real estate activities in which you materially participated under the passive activity loss rules	43

REV 01/27/24 TTW Schedule E (Form 1040) 2023

Schedule K-1 (Form 1065)

Case study, page 49

mortgage guaranty
insurance corporation

Schedule K-1 (Form 1065) 2023
 Department of the Treasury Internal Revenue Service
 For calendar year 2023, or tax year beginning _____ ending _____

OMB No. 1545-0123 51123

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) 26,000	15	Credits
3	Other net rental income (loss)	16	Schedule K-3 is attached if checked
4a	Guaranteed payments for services	17	Alternative minimum tax (AMT) items
4b	Guaranteed payments for capital	18	Tax-exempt income and nondeductible expenses
4c	Total guaranteed payments	19	Distributions 26,000
5	Interest income	20	Other information
6a	Ordinary dividends	21	Foreign taxes paid or accrued
6b	Qualified dividends	22	More than one activity for at-risk purposes*
6c	Dividend equivalents	23	More than one activity for passive activity purposes*
7	Royalties	*See attached statement for additional information.	
8	Net short-term capital gain (loss)	For IRS Use Only	
9a	Net long-term capital gain (loss)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)		
11	Other income (loss)		
12	Section 179 deduction		
13	Other deductions		

Part I Information About the Partnership

A Partnership's employer identification number
00-0000000

B Partnership's name, address, city, state, and ZIP code
EQUITABLE PROPERTY GROUP, LLC
1750 PROSPERITY DRIVE
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.
JESSICA JOHNSON
1750 PROSPERITY DRIVE
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: Name _____ TIN _____

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. See instructions.

K1 Partner's share of liabilities:

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

K2 Check this box if item K1 includes liability amounts from lower-tier partnerships

K3 Check if any of the above liability is subject to guarantees or other payment obligations by the partner. See instructions.

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 \$

For Paperwork Reduction Act Notice, see the Instructions for Form 1065. www.irs.gov/Form1065 Schedule K-1 (Form 1065) 2023

Form 1065

Case study, page 44

mortgage guaranty insurance corporation

Form 1065 (2023) U.S. Return of Partnership Income OMB No. 1545-0123 2023

For calendar year 2023, or tax year beginning 2023, ending 2023. Go to www.irs.gov/Form1065 for instructions and the latest information.

Schedule B Other Information (Form 1065 (2023)) Page 2

Schedule B Other Information (continued) (Form 1065 (2023)) Page 3

Schedule B Other Information (continued) (Form 1065 (2023)) Page 4

Schedule K Partners' Distributive Share Items (Form 1065 (2023)) Page 5

Analysis of Net Income (Loss) per Return (Form 1065 (2023)) Page 6

Schedule M-1 Balance Sheets per Books (Form 1065 (2023)) Page 7

Schedule M-1 Reconciliation of Income (Loss) per Books With Analysis of Net Income (Loss) per Return (Form 1065 (2023)) Page 8

Schedule M-2 Analysis of Partners' Capital Accounts (Form 1065 (2023)) Page 9

Income (see instructions for millions) 1-11

Deductions (see instructions for millions) 12-24

Tax and Payment 25-32

Sign Here 33

Paid Prep Use Only 34-38

For Paper Filers 39-40

Partners' Distributions (Form 1065 (2023))

Assets (Form 1065 (2023))

Liabilities and Capital (Form 1065 (2023))

Reconciliation of Income (Loss) per Books With Analysis of Net Income (Loss) per Return (Form 1065 (2023))

Analysis of Partners' Capital Accounts (Form 1065 (2023))

1 Net income (loss) 52,000

2 Net capital gain/loss 0

3 Total 52,000

4 Add lines 1 through 4 52,000

5 Balance at beginning of year 0

6 Distributions: a Cash 0

7 Other decreases (increase) 0

8 Add lines 6 and 7 0

9 Balance at end of year: Subtotal line 8 from line 5 52,000

Form 8825

Case study, page 51

**mortgage guaranty
insurance corporation**

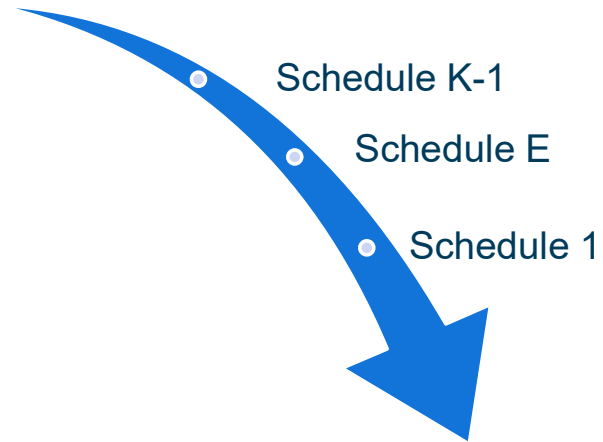
Form 8825 (Rev. November 2018) Department of the Treasury Internal Revenue Service		Rental Real Estate Income and Expenses of a Partnership or an S Corporation		OMB No. 1545-0123	
Name EQUITABLE PROPERTY GROUP, LLC			Employer identification number 00-0000000		
1 Show the type and address of each property. 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 SUNSET VIEW MEMPHIS, TN 38111	1	365	0	
B					
C					
D					
		Properties			
Rental Real Estate Income		A	B	C	D
2	Gross rents	67,200			
Rental Real Estate Expenses					
3	Advertising	700			
4	Auto and travel				
5	Cleaning and maintenance	600			
6	Commissions				
7	Insurance	1,100			
8	Legal and other professional fees				
9	Interest (see instructions)	5,800			
10	Repairs				
11	Taxes	4,200			
12	Utilities	400			
13	Wages and salaries				
14	Depreciation (see instructions)	2,400			
15	Other (list) ▶				
16	Total expenses for each property. Add lines 3 through 15	15,200			
17	Income or (loss) from each property. Subtract line 16 from line 2	52,000			
18a	Total gross rents. Add gross rents from line 2, columns A through H				67,200
18b	Total expenses. Add total expenses from line 16, columns A through H				(15,200)
19	Net gain (loss) from Form 4797, Part II, line 17, from the disposition of property from rental real estate activities				
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	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				52,000

For Paperwork Reduction Act Notice, see instructions.
Form **8825** (Rev. 11-2018)

How Does This Income Flow?



Form 1065/Form 8825 or
Form 1120-S/Form 8825



Page 1 of 1040

Form 1065 – Partnership

Equitable Property Group, LLC

- Real estate owned by business
- Mortgage on real estate is in Jessica's name
- Partnership return incomplete
 - Contains Form 8825
- Form 8825 (similar to Schedule E Rental)
 - Source for K-1

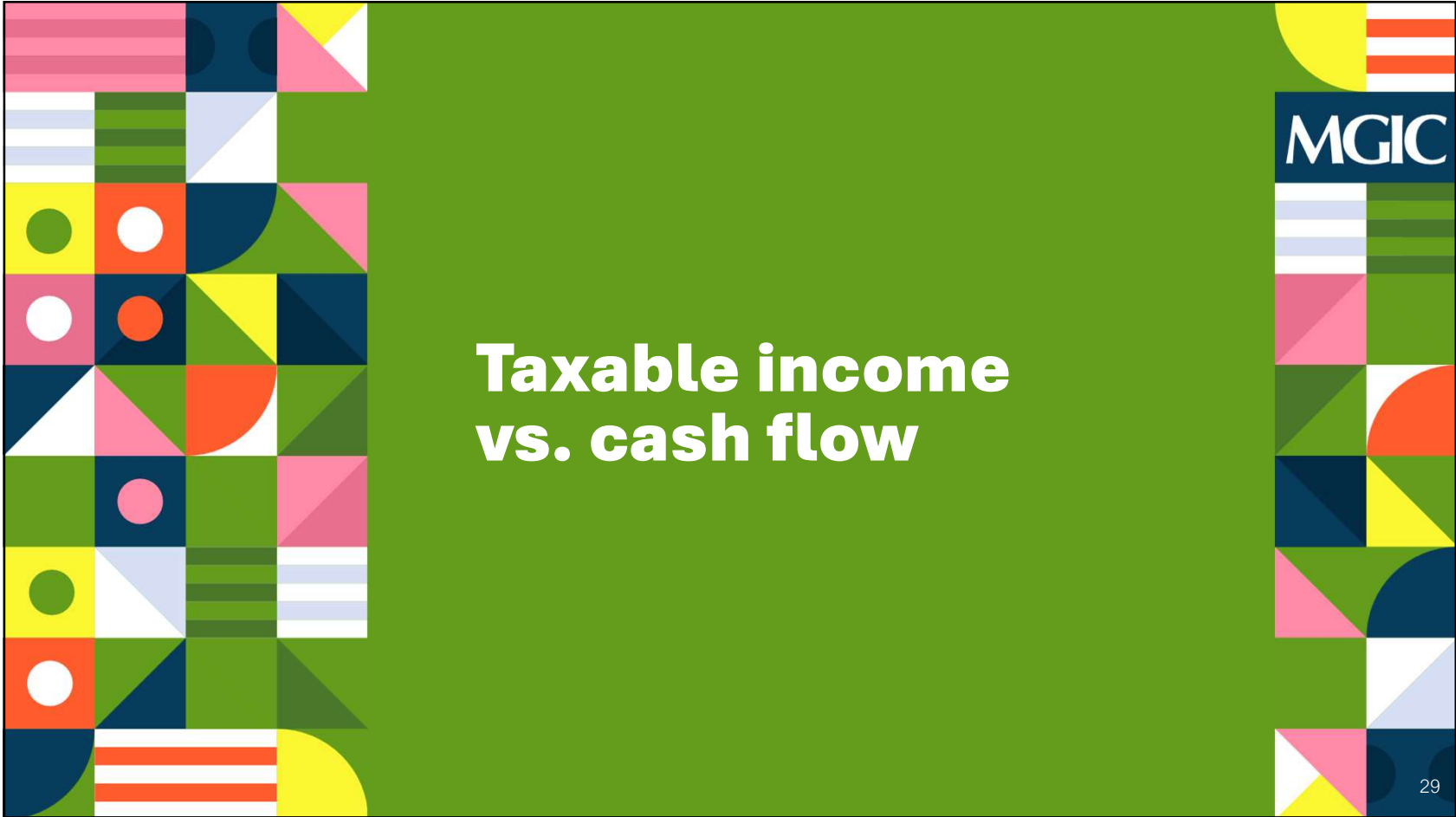




Now what?

MGIC

28



**Taxable income
vs. cash flow**

MGIC

29

3 key concepts

- 1 Noncash expenses
- 2 IRS limited loss/expenses
- 3 Recurring and nonrecurring income and expenses

Schedule K-1 (Form 1065) 2023

Department of the Treasury Internal Revenue Service

For calendar year 2023, or tax year beginning _____ ending _____

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) 26,000

3 Other net rental income (loss) 15 Credits

4a Guaranteed payments for services

4b Guaranteed payments for capital

4c Total guaranteed payments

5 Interest income

6a Ordinary dividends

6b Qualified dividends

6c Dividend equivalents

7 Royalties

8 Net short-term capital gain (loss)

9a Net long-term capital gain (loss) 26,000

9b Collectibles (28%) gain (loss)

9c Unrecaptured section 1250 gain

10 Net section 1231 gain (loss)

11 Other income (loss)

12 Section 179 deduction

13 Other deductions

16 Schedule K-3 is attached if checked

17 Alternative minimum tax (AMT) items

Part I Information About the Partnership

A Partnership's employer identification number 00-0000000

B Partnership's name, address, city, state, and ZIP code
EQUITABLE PROPERTY GROUP, LLC
1750 PROSPERITY DRIVE
JACKSON, TN 38305

C IRS center where partnership filed return:
Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

L 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.
JESSICA JOHNSON
1750 PROSPERITY DRIVE
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: INDIVIDUAL

I1 What type of entry is this partner?

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. See instructions.

K1 Partner's share of liabilities:

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

K2 Check this box if item K1 includes liability amounts from lower-tier partnerships

K3 Check if any of the above liability is subject to guarantees or other payment obligations by the partner. See instructions.

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
	\$	\$

For IRS Use Only

22 More than one activity for at-risk purposes*

23 More than one activity for passive activity purposes*

*See attached statement for additional information.

For Paperwork Reduction Act Notice, see the Instructions for Form 1065. www.irs.gov/Form1065 Schedule K-1 (Form 1065) 2023

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

OMB No. 1545-0123

Department of the Treasury Internal Revenue Service

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

Name: EQUITABLE PROPERTY GROUP, 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 SUNSET VIEW MEMPHIS, TN 38111	1	365	0
B			
C			
D			

	A	B	C	D
2 Gross rents	67,200			
3 Advertising	700			
4 Auto and travel				
5 Cleaning and maintenance	600			
6 Commissions				
7 Insurance	1,100			
8 Legal and other professional fees				
9 Interest (see instructions)	5,800			
10 Repairs				
11 Taxes	4,200			
12 Utilities	400			
13 Wages and salaries				
14 Depreciation (see instructions)	2,400			
15 Other (list)				
16 Total expenses for each property. Add lines 3 through 15	15,200			
17 Income or (loss) from each property. Subtract line 16 from line 2	52,000			
18a Total gross rents. Add gross rents from line 2, columns A through H	67,200			
18b Total expenses. Add total expenses from line 16, columns A through H	(15,200)			
19 Net gain (loss) from Form 7797, Part II, line 17, from the disposition of property from rental real estate activities				
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)				
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	52,000			

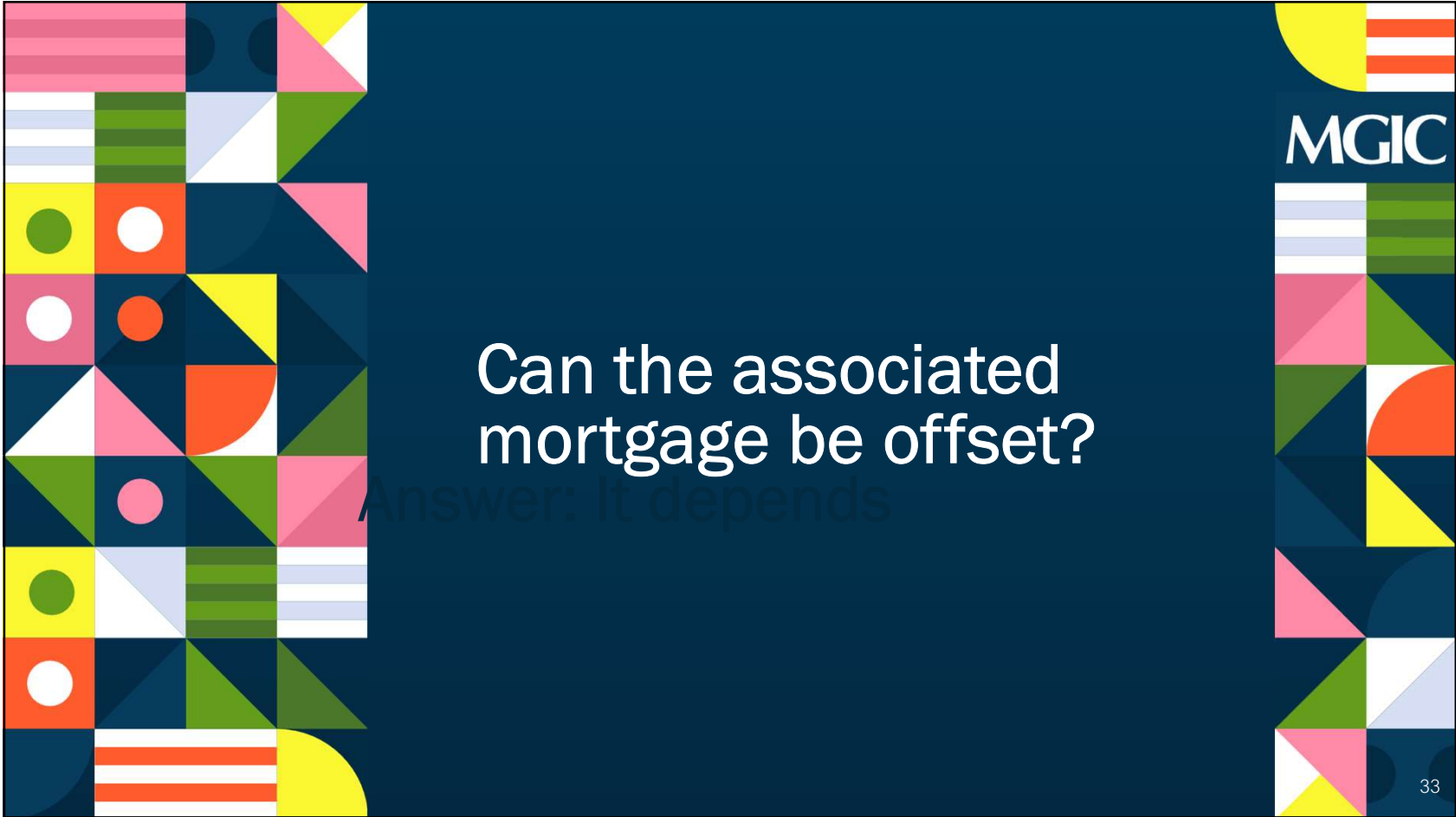
(1) Name _____ (2) Employer identification number _____

For Paperwork Reduction Act Notice, see instructions. Form 8825 (Rev. 11-2018)

Effect on cash flow analysis

SAM Cash Flow Analysis Worksheet

X	PARTNERSHIP	Name	Equitable Property Group LLC	2023	2022
SCHEDULE K-1					
24	Ordinary Income (Loss): LINE 1 If > Distributions see additional requirements.				
25	Net Rental Income (Loss): LINES 2 & 3 If > Distributions see additional requirements.			\$ 26,000.00	\$ 22,000.00
26	Guaranteed Payments: LINE 4c				
	SUBTOTAL			\$ 26,000.00	\$ 22,000.00
FORM W-2					
27	Wages: W-2, Box 5 (in general)				
FORM 1065					
28	Passthrough (Income) Loss from Other Partnerships: LINE 4				
29	Deduct nonrecurring income/add nonrecurring loss: LINES 5, 6 & 7				
30	Depreciation: LINE 16c				
31	Depreciation (FORM 8825): LINE 14			\$ 2,400.00	\$ 2,200.00
32	Depletion: LINE 17				
33	Amortization/Casualty Loss (only if noted): LINE 21 from attached statement				
34	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 16, Column d			()	()
35	Non-Deductible Travel and Entertainment Exclusion: Schedule M-1, LINE 4b			()	()
	SUBTOTAL			\$ 2,400.00	\$ 2,200.00
36	Multiplied by Ownership Percentage			50.00%	50.00%
	Partner's Total Share of Income (Loss)			\$ 1,200.00	\$ 1,100.00
				\$27,200	\$23,100.00
				/24 = \$2,095.83	



Can the associated mortgage be offset?

Answer: It depends

MGIC

33

 Fannie Mae®

 Freddie Mac

Who is your end investor?

mortgage guaranty insurance corporation

34

Freddie Mac – Seller Guide: Section 5304.1(d)



Freddie Mac Home Single-Family Division Multifamily Division Capital Markets Division Renters, Buyers and Owners

Freddie Mac Single-Family Seller/Service Guide

Guide Home Seller/Service Relationship **Selling** Servicing Search the Guide View All

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

Rental real estate income and expenses reported on Form 8825

All rental real estate income and expenses reported on IRS Form 8825 for partnerships and S corporations are to be treated as self-employment income, regardless of whether or not the Borrower is personally obligated on the Note and regardless of the Borrower's percentage of ownership interest in the partnership or S corporation. The requirements of [Section 5401.2\(b\)\(iv\)](#) are not applicable.

Refer to [Form 91](#) for the appropriate treatment and calculation of the Borrower's proportionate share of the net rental real estate income or loss.

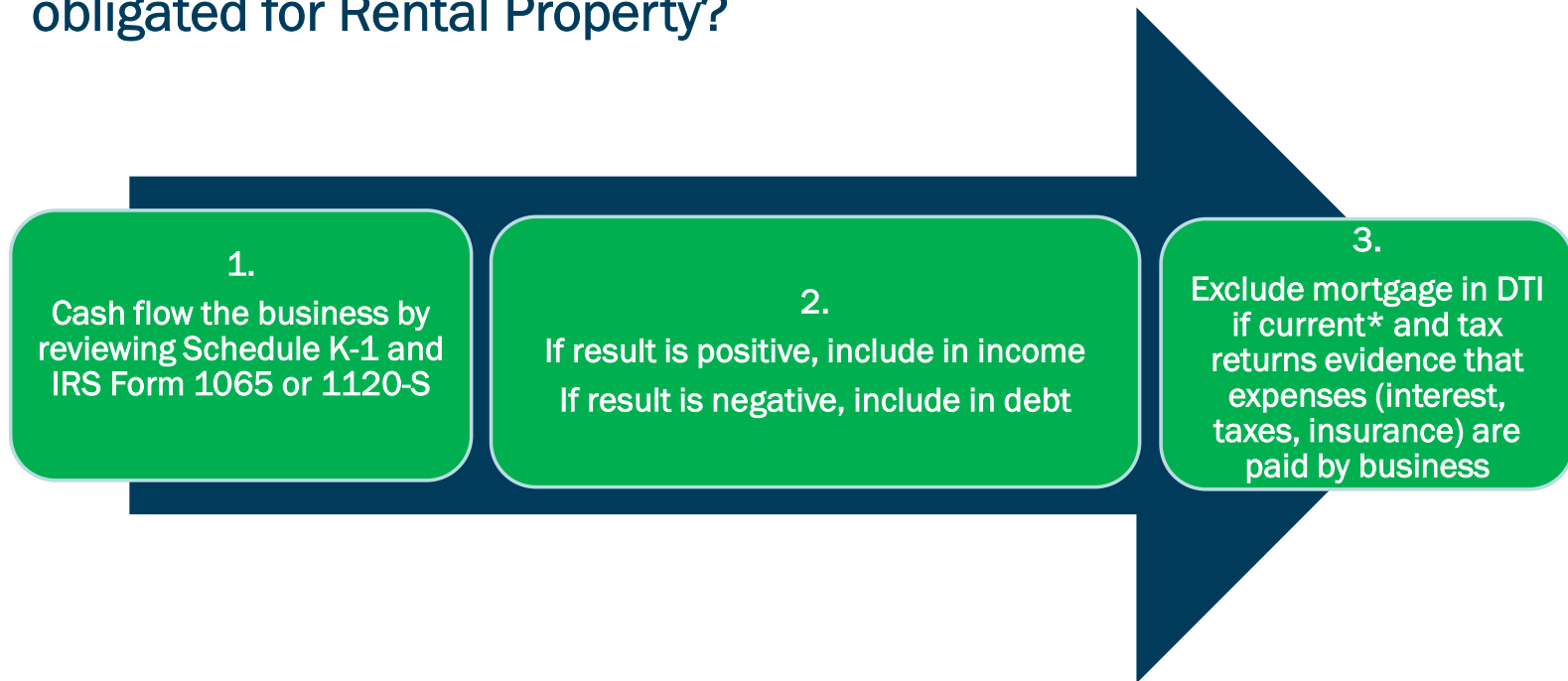
Updated 02/07/2024

(iv) Self-employed Borrower's debt paid by the Borrower's business

When a self-employed Borrower is obligated on debt that has been paid by the Borrower's business for 12 months or longer, the debt may be excluded from the monthly debt payment-to-income ratio if the following conditions are met:

- The Mortgage file confirms that the debt has been paid timely by the Borrower's business for no less than 12 consecutive months, and
- The tax returns evidence that business expenses associated with the debt (e.g., interest, lease payments, taxes, insurance) have been reported and support that the debt has been paid by the business

FHLMC – Regardless if borrower is personally obligated for Rental Property?



Fannie Mae Guidelines – B3-3.1-08



<https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/Subpart-B3-Underwriting-Borrowers/Chapter-B3-3-Income-Assessment/Section-B3-3-1-Employment-and-Other-Sources-of>

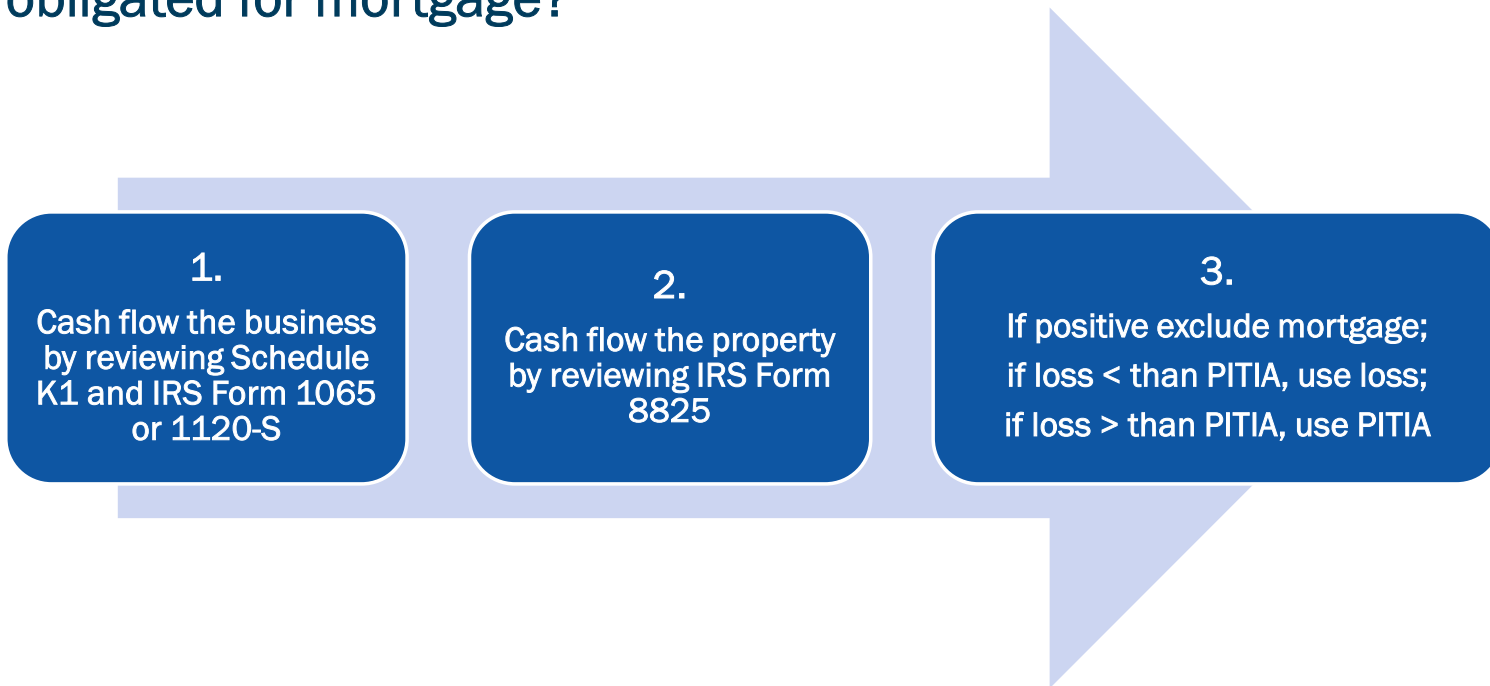
Offsetting Monthly Obligations for Rental Property Reported through a Partnership or an S Corporation

If the borrower is personally obligated on the mortgage debt (as evidenced by inclusion of the related mortgage(s) on the credit report) and gross rents and related expenses are reported through a partnership or S corporation, the business tax returns may be used to offset the property's PITIA. The steps described below should be followed:

1. Obtain the borrower's business tax returns, including IRS Form 8825 for the most recent year.
2. Evaluate each property listed on Form 8825, as shown below:
 - From total gross rents, subtract total expenses. Then add back insurance, mortgage interest, taxes, homeowners' association dues (if applicable), depreciation, and non-recurring property expenses (if documented accordingly).
 - Divide by the number of months the property was in service.
 - Subtract the entire PITIA (proposed for subject property or actual for real estate owned) to determine the monthly property cash flow.
3. If the resulting net cash flow is **positive**, the lender may exclude the property PITIA from the borrower's monthly obligations when calculating the debt-to-income ratio.
4. If the resulting net cash flow is **negative** (that is, the rental income derived from the investment property is not sufficient to fully offset the property PITIA), the calculated negative amount must be included in the borrower's monthly obligations when calculating the debt-to-income ratio.

In order to include a positive net rental income received through a partnership or an S corporation in the borrower's monthly qualifying income, the lender must evaluate it according to Fannie Mae's guidelines for income received from a partnership or an S corporation. See [B3-3.4-01, Analyzing Partnership Returns for a Partnership or LLC](#) and [B3-3.4-02, Analyzing Returns for an S Corporation](#).

FNMA – What if borrower is personally obligated for mortgage?



Form 8825

Rental Income Worksheet

Business Rental

Form 8825

Jessica is personally liable for debt...but Partnership owns the property

Property: 3

Rental Income (Loss) Calculation

35	Number of Months: Maximum 12	12
36	Gross Rents: Form 8825 Line 2	\$ 67,200.00
37	Total Expenses: Form 8825 Line 16	(\$ 15,200.00)
38	Insurance: Form 8825 Line 7	\$ 1,100.00
39	Mortgage Interest: Form 8825 Line 9	\$ 5,800.00
40	Taxes: Form 8825 Line 11	\$ 4,200.00
41	Depreciation/Depletion: Form 8825 Line 14	\$ 2,400.00
42	Add Back HOA Dues: Must be specifically identified on Schedule E	
43	One-Time Extraordinary Expenses (Casualty Loss): Provide evidence of the nature of the one-time extraordinary expense	
44	Annual Gross Rental Income (Loss)	\$ 65,500.00
45	Monthly Gross Rental Income (Loss)	\$ 5,458.33
46	Monthly PITIA	3,200.00
47	NET Monthly Rental Income (Loss)	\$ 2,258.33

Verify the total mortgage payment

Form 8825 Rental Real Estate Income and Expenses of a Partnership or an S Corporation
 (Rev. November 2018) Department of the Treasury Internal Revenue Service
 Attach to Form 1065 or Form 1120S. Go to www.irs.gov/Form8825 for the latest information.

Name: **EQUITABLE PROPERTY GROUP, 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 SUNSET VIEW MEMPHIS, TN 38111	1	365	0
B			
C			
D			

Rental Real Estate Income	A	B	C	D
2 Gross rents	67,200			
Rental Real Estate Expenses				
3 Advertising	700			
4 Auto and travel				
5 Cleaning and maintenance	600			
6 Commissions				
7 Insurance	1,100			
8 Legal and other professional fees				
9 Interest (see instructions)	5,800			
10 Repairs				
11 Taxes	4,200			
12 Utilities	400			
13 Wages and salaries				
14 Depreciation (see instructions)	2,400			
15 Other (list)				
16 Total expenses for each property. Add lines 3 through 15.	15,200			
17 Income or (loss) from each property. Subtract line 16 from line 2.	52,000			
18a Total gross rents. Add gross rents from line 2, columns A through H.	67,200			
18b Total expenses. Add total expenses from line 16, columns A through H.	(15,200)			
19 Net gain (loss) from Form 4797, Part II, line 17, from the disposition of property from rental real estate activities.				
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).				
20b 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	52,000			

For Paperwork Reduction Act Notice, see instructions. Form 8825 (Rev. 11-2018)

Rental Income Worksheet

Rental Income Worksheet

Business Rental

Form 8825

Property: 321 Sunset View, Memphis, TN

Rental Income (Loss) Calculation

35	Number of Months: Maximum 12	12
		\$ 67,200.00
		(\$ 15,200.00)
		\$ 1,100.00
		\$ 5,800.00
		\$ 4,200.00
		\$ 2,400.00
42	Add Back HOA Dues: <i>Must be specifically identified on Schedule E</i>	
43	One-Time Extraordinary Expenses (Casualty Loss): <i>Provide evidence of the nature of the one-time extraordinary expense</i>	
44	Annual Gross Rental Income (Loss)	\$ 65,500.00
45	Monthly Gross Rental Income (Loss)	\$ 5,458.33
46	Monthly PITIA	(\$ 3,200.00)
47	NET Monthly Rental Income (Loss)	\$ 2,258.33

NET Monthly Rental Income (Loss)

- When positive, do nothing with income; exclude PITIA from DTI
- When negative < PITIA, include loss in DTI; exclude PITIA from DTI
- When negative > PITIA, do nothing with loss; include PITIA in DTI

OK



Line 14



Purpose of cash flow analysis

Verify qualifying income that is:

- Stable
- Likely to continue





TOOLS FOR SUCCESS!

mgic.com/seb

The screenshot displays the MGIC website's landing page for self-employed borrower and income analysis calculators. The page features a dark blue header with the MGIC logo and navigation links: Rates, Underwriting, Origination/ Servicing, Training, Tools, Mortgage Counselors, and About MGIC. A pink button labeled 'Get a quick quote' is positioned in the top right. The main content area has a light purple background with the title 'Self-employed borrower and income analysis calculators' and a sub-headline: 'Editable and auto-calculating worksheets fitted specifically for loan officers and mortgage pros.' To the right is a colorful geometric logo. Below this, a breadcrumb trail reads 'MGIC > underwriting >'. The lower section includes a photograph of a person using a laptop displaying a calculator interface. To the right of the photo, the text reads: 'Gain instant access to MGIC's enhanced self-employed borrower and income analysis calculators'. Below this, it states: 'Equipped for speed and accuracy, our editable and auto-calculating worksheets are now available in macro-enabled and macro-free versions:'. It then lists updates for tax year 2023 and 2024, followed by a 'Gain access now' link.

MGIC Rates Underwriting Origination/ Servicing Training Tools Mortgage Counselors About MGIC [Get a quick quote](#)

Self-employed borrower and income analysis calculators

Editable and auto-calculating worksheets fitted specifically for loan officers and mortgage pros.

MGIC > underwriting >

Gain instant access to MGIC's enhanced self-employed borrower and income analysis calculators

Equipped for speed and accuracy, our editable and auto-calculating worksheets are now available in macro-enabled and macro-free versions:

Updated for tax year 2023:

- All-in-one self-employed income calculator
- Rental income calculator

Updated for 2024:

- Employment and other income calculator

[Gain access now](#)

Training – SEB webinars

<p>Skill-based 60 minutes</p> <p>Analyzing Self-Employed Borrowers 101 – Getting Started & the Sole Proprietor</p> <p>Recorded Session Available any time.</p> <p>Register Watch now</p>	<p>Skill-based 60 minutes</p> <p>Analyzing Self-Employed Borrowers 201 – Concentrating on S Corporations</p> <p>Recorded Session Available any time.</p> <p>Register Watch now</p>	<p>Skill-based 60 minutes</p> <p>Analyzing Self-Employed Borrowers 202 – Zeroing in on Partnerships</p> <p>Recorded Session Available any time.</p> <p>Register Watch now</p>	<p>Skill-based 60 minutes</p> <p>Analyzing Self-Employed Borrowers 301 – Focusing on Corporations & Financial Statements</p> <p>Recorded Session Available any time.</p> <p>Register Watch now</p>
<p>Skill-based 45 minutes</p> <p>Analyzing Self-Employed Borrowers 302 – Looking at Income from Farming</p> <p>Recorded Session Available any time.</p> <p>Register Watch now</p>	<p>Skill-based 60 minutes</p> <p>Evaluating & Calculating Rental Income</p> <p>Recorded Session Available any time.</p> <p>Register Watch now</p>	<p>Skill-based 30 minutes</p> <p>Analyzing Self-Employed Borrowers 303 – Using Rental Income from a Business-Owned Property</p> <p>Recorded Session Available any time.</p> <p>Register Watch now</p>	<p>Skill-based 60 minutes</p> <p>Analyzing Self-Employed Borrowers 401 – Overcoming Tough Challenges</p> <p>Recorded Session Available any time.</p> <p>Register Watch now</p>

mgic.com/training/seb

Dig deeper

Analyzing Self-Employed Income

This new training series helps you to confidently calculate the qualifying income of a self-employed borrower and determine your borrower's ability to make mortgage payments in the future.

Explore the series >

www.mgic.com/training/magic-minutes-training-series



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