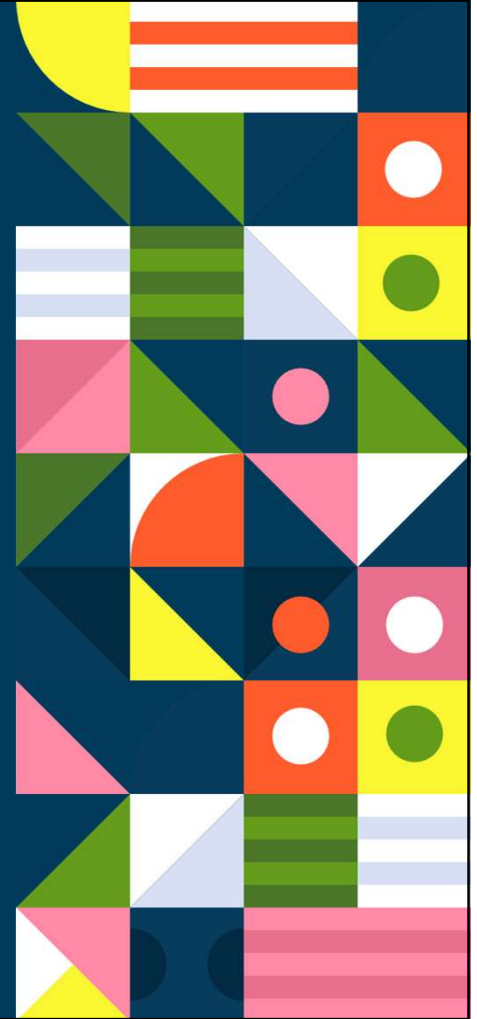


Analyzing Self-Employed Borrowers **TAX YEAR 2023**

Getting Started & the Sole Proprietor

MGIC

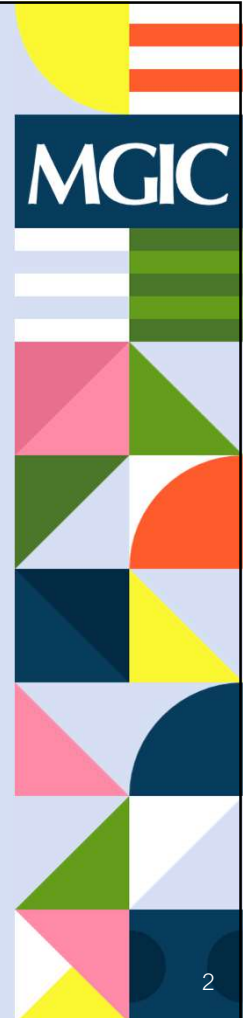


Legal disclaimer

The materials included in this presentation are intended for general information only. This presentation is not intended to be complete or all-inclusive regarding the matters discussed herein, and nothing contained in this presentation is intended, or should be relied upon, as legal, accounting, compliance or other professional advice.

Although MGIC believes the information set forth in this publication is generally accurate, the information may be outdated due to the rapidly changing nature of the residential mortgage industry, and MGIC does not warrant the accuracy, reliability or completeness of any information contained in this publication.

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Knowledge leads to confidence!

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A decorative border surrounds a central green rectangle. The border consists of various colorful geometric shapes (squares, triangles, circles, stripes) in shades of pink, blue, yellow, green, and orange. The MGIC logo is positioned in the upper right corner of the border, featuring the letters 'MGIC' in white on a dark blue background. The central green area contains the text 'Income calculation tools' in white, bold, sans-serif font.

**Income
calculation tools**

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





Who is self-employed?

Any individual who has a 25% or greater ownership interest in a business.

The Uniform Residential Loan Application (URLA)

1b. Current Employment/Self-Employment and Income		<input type="checkbox"/> Does not apply
Employer or Business Name _____ Phone (____) ____ - _____		Gross Monthly Income
Street _____ Unit # _____		
City _____ State _____ ZIP _____ Country _____		
Position or Title _____		Base \$ _____ /month
Start Date ____ / ____ / ____ (mm/dd/yyyy)		Overtime \$ _____ /month
How long in this line of work? ____ Years ____ Months		Bonus \$ _____ /month
<input type="checkbox"/> 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.		Commission \$ _____ /month
<input checked="" type="checkbox"/> Check if you are the Business Owner or Self-Employed		Military Entitlements \$ _____ /month
<input type="radio"/> I have an ownership share of less than 25%. Monthly Income (or Loss) \$ _____		Other \$ _____ /month
<input checked="" type="radio"/> I have an ownership share of 25% or more. \$ _____		TOTAL \$ _____ 0.00/month

When can self-employment income be used?

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A 2-year history is required

Exceptions – with at least a 12-month history

- a) Borrower receiving same or greater income in similar field or position
- b) Borrower in a similar occupation in which they had similar responsibilities

When can self-employment income be used?

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Business must be financially stable

1. Do business **earnings trends** support the likelihood that cash flow will continue?
2. Will the business generate **sufficient income** AND is there a history of **distributing income** to the borrower?




Fannie Mae®

Freddie Mac

How many years of tax returns are needed?

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. Depletion	(-)	(-)
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. Depletion	(+)	(+)
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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Form 91

Income Calculations (Schedule Analysis Method)

Borrower Name: _____

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 5300. 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	\$	\$
<small>¹Validate with business returns and IRS Form 1125-E, Compensation of Officers, as applicable</small>		
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 F91-1

All-in-one self-employed income calculator

Excel XLSM – macro-enabled

Excel XLSX – macro-free

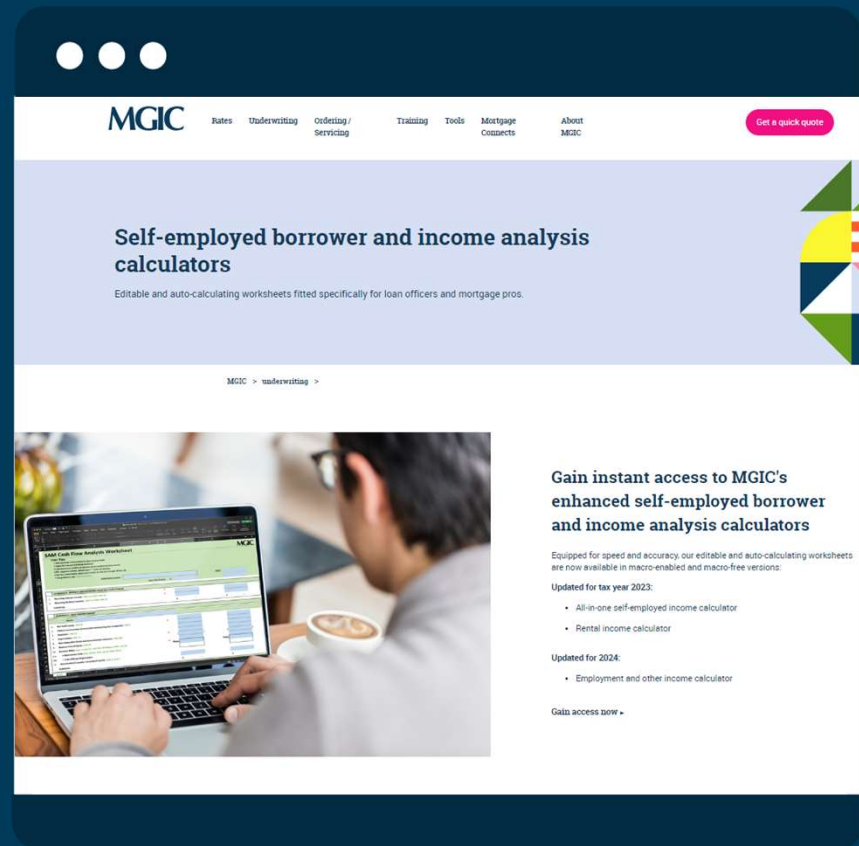
Excel XLSX – macro-free short

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The image displays a stack of software windows from the SAM Worksheets suite. The windows are layered, with the 'SAM Cash Flow Analysis Worksheet' being the most prominent in the foreground. Other visible windows include 'Profit and Loss Statement Analysis', 'Comparative Income Analysis Worksheet', 'Liquidity Worksheet', and 'Cash Flow Analysis Summary'. The 'SAM Cash Flow Analysis Worksheet' window shows a detailed form with sections for 'PERSONAL CASH', 'SCHEDULE B - INTEREST AND DIVIDENDS FROM SELF-EMPLOYMENT', 'SCHEDULE C - SOLE PROPRIETORSHIP', and 'PARTNERSHIP CASH FLOW'. It includes various input fields, checkboxes, and a 'Print Workbook' button. The background shows a 'SAM Worksheet - Help Document' window with text about the software's functionality.

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MGIC Rates Underwriting Ordering / Servicing Training Tools Mortgage Connects 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](#)

SAM Cash Flow Analysis Worksheet



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
- For negative entries, please type "-" prior to number
- For line instructions, hover over red triangles
- For guidance, see [Help Document](#)
- Select the Reset Workbook button on top to clear all information

Reset Workbook

BORROWER NAME: DATE:

Before you can use the worksheet, you must make it a Trusted Document. [Click here for instructions.](#)

SCHEDULE B - INTEREST AND DIVIDENDS FROM SELF-EMPLOYMENT

SCHEDULE C - SOLE PROPRIETORSHIP

Name: + -

5	Deduct nonrecurring income/add nonrecurring loss or expense: LINE 6	\$ (5,000.00)	
6	Depletion: LINE 12		
7	Depreciation: LINE 13		
8	Non-Deductible Meals and Entertainment Exclusion: LINE 24b	()	()
10	Business Miles: Page 2, Part IV, LINE 44a OR Related 4562, Line 30	*Miles	*Miles
11b	= Total Mileage Depreciation		
12	Amortization/Casualty Loss (only if noted): page 2, part V		
	SUBTOTAL	\$ -	\$ -

SAM cash flow analysis summary

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Cash Flow Analysis Summary

Each business subtotals

PERSONAL CASH FLOW SUBTOTALS:		2023		2022		Qualifying Income		No. of Months
		Subtotal	# mo.	Subtotal	# mo.			
Schedule B	<input type="checkbox"/>	\$ 7,600.00	12	<input type="checkbox"/>	\$ 3,700.00	12	\$ 470.83	24
Schedule C Property Maintenance Ninjas	<input type="checkbox"/>	\$ 59,195.00	12	<input checked="" type="checkbox"/>	\$ 69,460.00	0	\$ 4,932.92	12
PARTNERSHIP & S CORPORATION CASH FLOW SUBTOTALS:								
Schedule K-1 Hide Away Storage	<input type="checkbox"/>	\$ 8,000.00	12	<input type="checkbox"/>	\$ (2,400.00)	12	\$ 233.33	24
W-2 Wages Hide Away Storage	<input type="checkbox"/>	\$ -	12	<input type="checkbox"/>	\$ -	12	\$ -	24
Form 1065 Hide Away Storage	<input type="checkbox"/>	\$ (6,625.00)	12	<input type="checkbox"/>	\$ 3,275.00	12	\$ (139.58)	24
Partnership Hide Away Storage Subtotal		\$ 1,375.00		\$ 875.00			\$ 93.75	
Schedule K-1 Equitable Property Group LLC	<input type="checkbox"/>	\$ 26,000.00	12	<input type="checkbox"/>	\$ 22,000.00	12	\$ 2,000.00	24
W-2 Wages Equitable Property Group LLC	<input type="checkbox"/>	\$ -	12	<input type="checkbox"/>	\$ -	12	\$ -	24
Form 1065 Equitable Property Group LLC	<input type="checkbox"/>	\$ 1,200.00	12	<input type="checkbox"/>	\$ 1,100.00	12	\$ 95.83	24
Partnership Equitable Property Group LLC Subtotal		\$ 27,200.00		\$ 23,100.00			\$ 2,095.83	
Schedule K-1 J & J Property Solutions	<input type="checkbox"/>	\$ 61,000.00	12	<input type="checkbox"/>	\$ 57,500.00	12	\$ 4,937.50	24
W-2 Wages J & J Property Solutions	<input type="checkbox"/>	\$ -	12	<input type="checkbox"/>	\$ -	12	\$ -	24
Form 1120S J & J Property Solutions	<input type="checkbox"/>	\$ 6,750.00	12	<input type="checkbox"/>	\$ 6,365.00	12	\$ 546.46	24
S Corporation J & J Property Solutions Subtotal		\$ 67,750.00		\$ 63,865.00			\$ 5,483.96	
CORPORATION CASH FLOW SUBTOTALS:								
W-2 Wages Creative Design Concepts, Inc.	<input checked="" type="checkbox"/>	\$ 74,500.00	0	<input type="checkbox"/>	\$ 54,000.00	12	\$ 4,500.00	12
Form 1120 Creative Design Concepts, Inc.	<input checked="" type="checkbox"/>	\$ 12,930.00	0	<input type="checkbox"/>	\$ 13,826.00	12	\$ 1,152.17	12
Corporation Creative Design Concepts, Inc. Subtotal		\$ -		\$ 67,826.00			\$ 5,652.17	
Average Monthly Cash Flow (Total)							\$ 18,729.46	



**Tax forms:
Personal and
business**

2022 Personal Return – Form 1040

Pages 1 and 2

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Form 1040 Department of the Treasury—Internal Revenue Service **2023** U.S. Individual Income Tax Return 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 _____, 20. See separate instructions.

Your first name and middle initial _____ Last name _____ Your social security number _____

If joint return, spouse's first name and middle initial _____

Home address (number and street), if you have one _____
City, town, or post office, if you have a foreign address _____
Foreign country name _____

Filing Status Single Married filing jointly Married filing separately Head of household Qualifying widow(er) with dependent child
Check only one box. If you checked the "Married filing jointly" box, you must also check the box for the qualifying person's name.

Digital Assets At any time during 2023, did you have a digital asset that was sold, exchanged, or otherwise disposed of? Yes No

Standard Deduction Spouse itemizes Someone can claim your standard deduction

Age/Blindness You: Were born before 1/1/59 Born after 12/31/58

Dependents (see instructions): (t) First name _____
If more than four dependents, see instructions and check here: _____

Income
1a Total amount from all sources _____
b Household employment taxes _____
c Tip income not reported on Form 1041-SS _____
d Medicaid wages _____
e Taxable dependent's income _____
f Employer-provided health insurance _____
g Wages from Form W-2, see instructions _____
h Other earned income _____
i Nontaxable combat pay _____
z Add lines 1a through i _____

Attach Sch. B if required.
2a Tax-exempt interest _____
3a Qualified dividends _____
4a IRA distribution _____
5a Pensions and annuities _____
6a Social security benefits _____
c If you elect to use the optional method, enter the amount _____
7 Capital gain or loss _____
8 Additional income _____
9 Add lines 1z, 2a through 8 _____
10 Adjustments to income _____
11 Subtract line 10 from line 9 _____
12 Standard deduction _____
13 Qualified business income deduction _____
14 Add lines 11 and 12 _____
15 Subtract line 14 from line 11 _____

For Disclosure, Privacy Act, and Paperwork Reduction Project information, see instructions.

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
b Form(s) 1099 _____ 25b
c Other forms (see instructions) _____ 25c
d Add lines 25a through 25c _____ 25d
26 2023 estimated tax payments and amount applied from 2022 return _____ 26
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

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? See instructions. b Routing number _____ c Type: Checking Savings _____
d 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**. For details on how to pay, go to www.irs.gov/Payments or see instructions _____ 37
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 _____ If the IRS sent you an Identity Protection PIN, enter it here (see inst.) _____
Joint return? See instructions. Keep a copy for your records. Spouse's signature. If a joint return, both must sign. _____ Date _____ Spouse's occupation _____ If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.) _____
Phone no. _____ Email address _____

Preparer Use Only
Preparer's name _____ Preparer's signature _____ Date _____ PTIN _____ Check it: Self-employed
Firm's name _____ Phone no. _____
Firm's address _____ Firm's EIN _____

Go to www.irs.gov/Form1040 for instructions and the latest information. Form 1040 (2023)

Schedules 1, 2 & 3

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SCHEDULE 1 (Form 1040) Additional Income and Adjustments to Income OMB No. 1545-0074 **2023**

Department of the Treasury Internal Revenue Service

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

SCHEDULE 2 (Form 1040) Additional Taxes OMB No. 1545-0074 **2023**

Department of the Treasury Internal Revenue Service

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

SCHEDULE 3 (Form 1040) Additional Credits and Payments OMB No. 1545-0074 **2023**

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.

Attachment Sequence No. **03**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR: _____ Your social security number: _____

Part I Nonrefundable Credits

1	Foreign tax credit. Attach Form 1116 if required	1	
2	Credit for child and dependent care expenses from Form 2441, line 11. Attach Form 2441	2	
3	Education credits from Form 8863, line 19	3	
4	Retirement savings contributions credit. Attach Form 8880	4	
5a	Residential clean energy credit from Form 5695, line 15	5a	
5b	Energy efficient home improvement credit from Form 5695, line 32	5b	
6	Other nonrefundable credits:		
a	General business credit. Attach Form 3800	6a	
b	Credit for prior year minimum tax. Attach Form 8801	6b	
c	Adoption credit. Attach Form 8839	6c	
d	Credit for the elderly or disabled. Attach Schedule R	6d	
e	Reserved for future use	6e	
f	Clean vehicle credit. Attach Form 8936	6f	
g	Mortgage interest credit. Attach Form 8396	6g	
h	District of Columbia first-time homebuyer credit. Attach Form 8859	6h	
i	Qualified electric vehicle credit. Attach Form 8834	6i	
j	Alternative fuel vehicle refueling property credit. Attach Form 8911	6j	
k	Credit to holders of tax credit bonds. Attach Form 8912	6k	
l	Amount on Form 8978, line 14. See instructions	6l	
m	Credit for previously owned clean vehicles. Attach Form 8936	6m	
z	Other nonrefundable credits. List type and amount: _____	6z	
7	Total other nonrefundable credits. Add lines 6a through 6z	7	
8	Add lines 1 through 4, 5a, 5b, and 7. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 20	8	

(continued on page 2)

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71480G Schedule 3 (Form 1040) 2023

1040-SR

- Same line items
- Same schedules
- Same income reported

**mortgage guaranty
insurance corporation**

Form 1040-SR Department of the Treasury—Internal Revenue Service U.S. Tax Return for Seniors		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 _____, 20		See separate instructions.			
Your first name and middle initial	Last name	Your social security number			
If joint return, spouse's first name and middle initial	Last name	Spouse's social security number			
Home address (number and street). If you have a P.O. box, see instructions.		Apt. no.	Presidential Election Campaign		
City, town, or post office. If you have a foreign address, also complete spaces below.		State	ZIP code	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.	
Foreign country name	Foreign province/state/country	Foreign postal code	<input type="checkbox"/> You <input type="checkbox"/> Spouse		
Filing Status Check only one box.	<input type="checkbox"/> Single <input type="checkbox"/> Married filing jointly (even if only one had income) <input type="checkbox"/> Married filing separately (MFS) <input type="checkbox"/> Head of household (HOH) <input type="checkbox"/> Qualifying surviving spouse (QSS) 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.				
Digital Assets	At any time during 2023, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) <input type="checkbox"/> Yes <input type="checkbox"/> No				
Standard Deduction	Someone can claim: <input type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent <input type="checkbox"/> Spouse itemizes on a separate return or you were a dual-status alien				
Age/Blindness	You: <input type="checkbox"/> Were born before January 2, 1959 <input type="checkbox"/> Are blind Spouse: <input type="checkbox"/> Was born before January 2, 1959 <input type="checkbox"/> Is blind				
Dependents (see instructions)	(1) First name	Last name	(2) Social security number	(3) Relationship to you	
If more than four dependents, see instructions and check here <input type="checkbox"/>					
				(4) Check the box if qualifies for (see instructions):	
				Child tax credit <input type="checkbox"/>	
				Credit for other dependents <input type="checkbox"/>	
Income	1a Total amount from Form(s) W-2, box 1 (see instructions)			1a	
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.	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	
	i Nontaxable combat pay election (see instructions)			1i	
	z Add lines 1a through 1h			1z	
	Attach Schedule B if required.	2a Tax-exempt interest		2a	b Taxable interest
3a Qualified dividends		3a	b Ordinary dividends	3b	
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"/>					
For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 71930F Form 1040-SR (2023)					

5 business structures



Sole Proprietorship



Partnership



Limited Liability Company



S Corporation



Corporation

Infographic: Characteristics of 5 common self-employed businesses

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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

7143866 2/23

*Fannie Mae Selling Guide, December 2022

Magic Minutes training series



**Analyzing
Self-Employed
Income**

Business
structures

Magic Minutes
by MGIC

00:00 15:40



Sole Proprietor

Definition

Unincorporated
business
with 1 owner

Simplest but riskiest
type of business

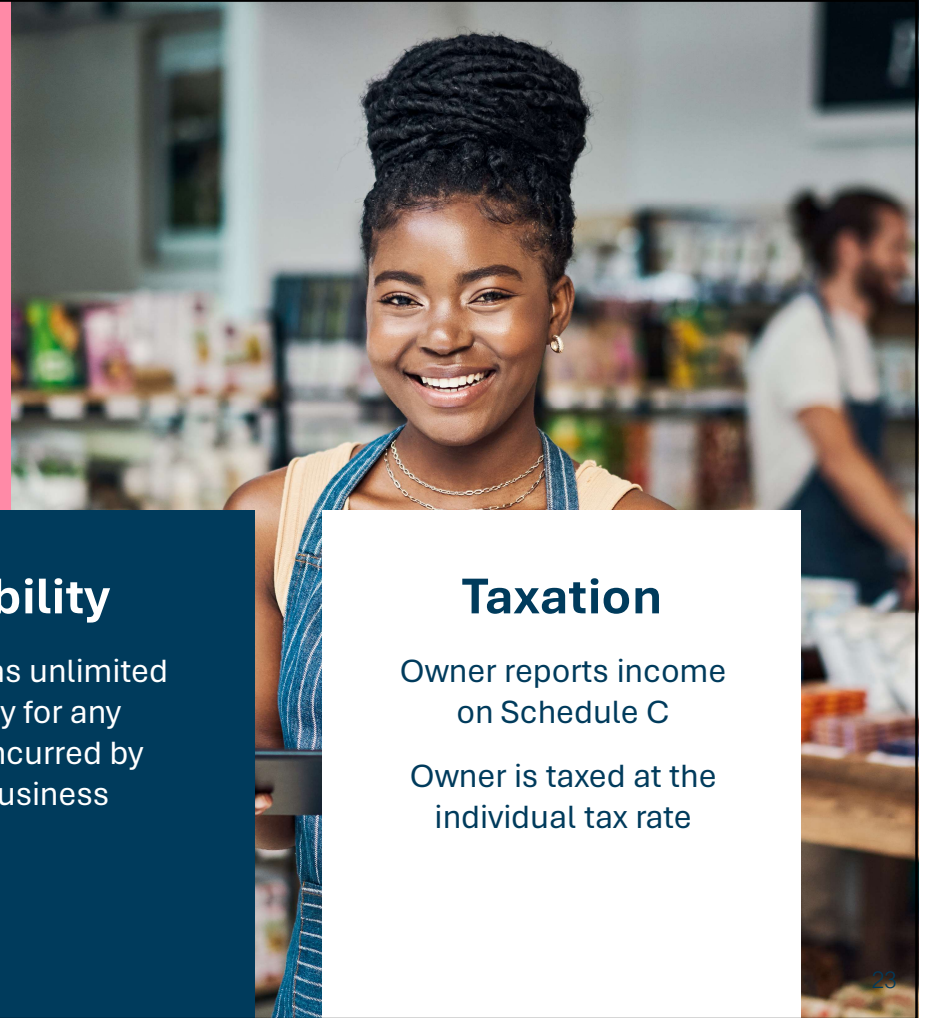
Liability

Owner has unlimited
liability for any
debts incurred by
the business

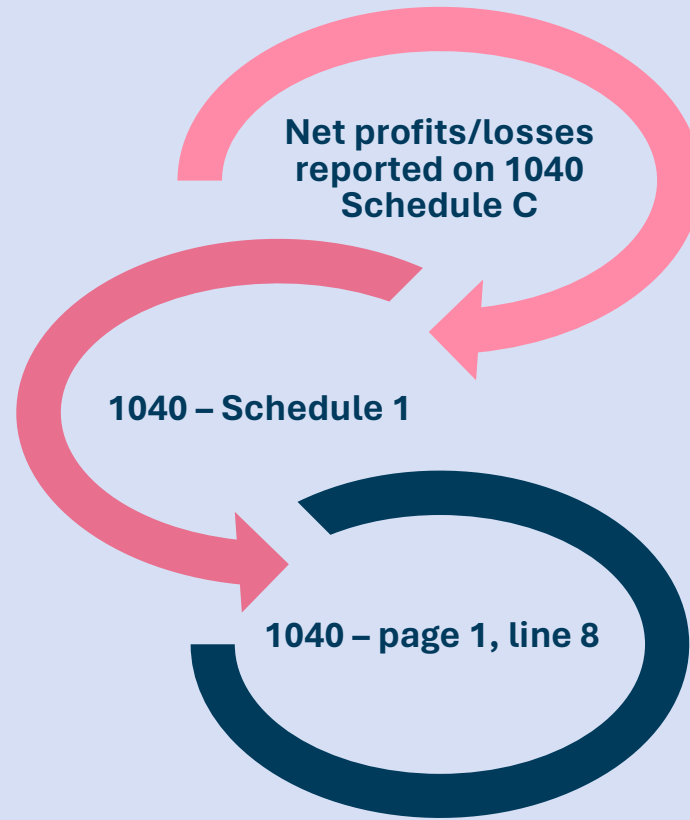
Taxation

Owner reports income
on Schedule C

Owner is taxed at the
individual tax rate



Sole proprietor income flow



Follow the money

SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship)

OMB No. 1545-0074
2023
Attachment Sequence No. 09

Department of the Treasury Internal Revenue Service
Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.
Go to www.irs.gov/ScheduleC for instructions and the latest information.

Name of proprietor: **James S. Johnson**
Social security number (SSN): **000-00-0000**

Name of business: **Property Maintenance and Repair Services**
Business address (including suite or room no.): **800 W Commercial Ave, Jackson, TN 38305**

Part I Income

1	Gross receipts or sales	1	125,965.
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	125,965.
4	Cost of goods sold (from line 42)	4	25,000.
5	Gross profit. Subtract line 4 from line 3	5	100,965.
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	Gross income. Add lines 5 and 6	7	100,965.

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

8	Advertising	8	
9	Car and truck expenses (see instructions)	9	11,790.
10	Commissions and fees	10	
11	Contract labor (see instructions)	11	
12	Depreciation	12	
13	Depreciation and section 179 expense deduction (see instructions) (Part III)	13	2,300.
14	Employee benefit programs (other than on line 18)	14	
15	Insurance (other than health)	15	1,200.
16	Interest (see instructions)	16	
17	Mortgage (paid to banks, etc.)	17a	3,800.
18	Other	18b	
19	Office expense (see instructions)	19	520.
20	Rent or lease (see instructions):	20a	
21	Repairs and maintenance	21	
22	Taxes and licenses	22	
23	Travel and meals:	23a	
24	Travel	24a	
25	Deductible meals (see instructions)	24b	1,200.
26	Utilities	25	1,850.
27	Wages (less employment credits)	26	24,000.
28	Other expenses (from line 48)	27a	500.
29	Legal and professional services	27b	750.
30	Total expenses before expenses for business use of home. Add lines 8 through 27b	30	47,910.
31	Tentative profit or (loss). Subtract line 30 from line 7	31	53,055.
32	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: Enter only 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	32	400.
33	Net profit or (loss). Subtract line 30 from line 29	33	52,655.

32a All investment is at risk.
32b Some investment is not at risk.

SCHEDULE 1 (Form 1040) Additional Income and Adjustments to Income

OMB No. 1545-0074
2023
Attachment Sequence No. 01

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.

Name(s) shown on Form 1040, 1040-SR, or 1040-NR: **James S. 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	Business income or (loss). Attach Schedule C	3	52,655.
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	98,600.
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income:	8	
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 951(A) inclusion (see instructions)	8o	
p	Section 461(f) 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 10495, 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.

1040 U.S. Individual Income Tax Return 2023

OMB No. 1545-0074
2023 ending 20
Use Only—Do not write or staple in this space. See separate instructions.

Your first name and middle initial: **James Johnson**
Last name: **Johnson**
Your social security number: **000 000 0000**

Spouse's first name and middle initial: **Jessica Johnson**
Last name: **Johnson**
Spouse's social security number: **000 000 0001**

Home address (number and street), if you have a P.O. box, see instructions: **1750 Prosperity Drive, Jackson, TN 38305**
State: **TN** ZIP code: **38305** Foreign postal code:

Foreign province/state/country:

Filing Status: Single Head of household (HOH) Married filing jointly (even if only one had income) Married filing separately (MFS) 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.

Digital Assets: At any time during 2023, did you (a) receive (as a reward, award, or payment for property or services) or (b) sell, exchange, 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/Dependence You: Were born before January 2, 1959 Are blind Spouse: Was born before January 2, 1959 Is blind

Dependents (see instructions):

(i) First name	Last name	(ii) Social security number	(iii) Relationship to you	(iv) Check the box if qualifies for (see instructions):	Child tax credit	Credit for other dependents
					<input type="checkbox"/>	<input type="checkbox"/>

Income

1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a	60,000.
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 2b	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	
2	Add lines 1a through 1h	2	60,000.
3a	Tax-exempt interest	3a	
3b	Qualified dividends	3a	6,900.
4a	IRA distributions	4a	
4b	Taxable amount	4b	
5a	Pensions and annuities	5a	
5b	Taxable amount	5b	
6a	Social security benefits	6a	
6b	Taxable amount	6b	
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here	7	-1,000.
8	Additional income from Schedule 1, line 9	8	151,255.
9	Add lines 2 through 8 and 7. This is your total income	9	216,255.
10	Adjustments to income from Schedule 1, line 29	10	6,592.
11	Subtract line 10 from line 9. This is your adjusted gross income	11	211,903.
12	Standard deduction or itemized deductions (from Schedule A)	12	27,700.
13	Qualified business income deduction from Form 8995 or Form 8995-A	13	27,101.
14	Add lines 12 and 13	14	54,801.
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income	15	157,102.

For Disclosures, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Form 1040 (2023)

mortgage guaranty insurance corporation





**Taxable income
vs. cash flow**

MGIC

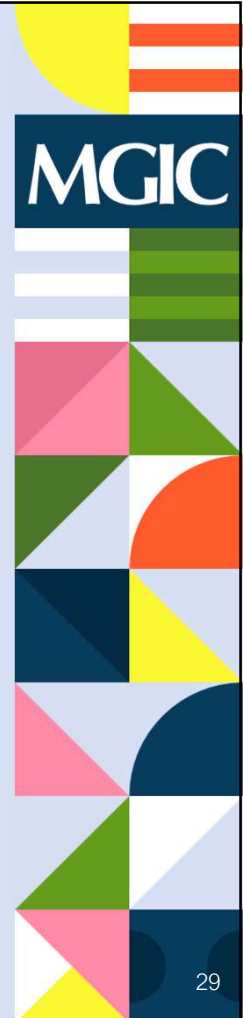
27

3 key concepts

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

Noncash expenses

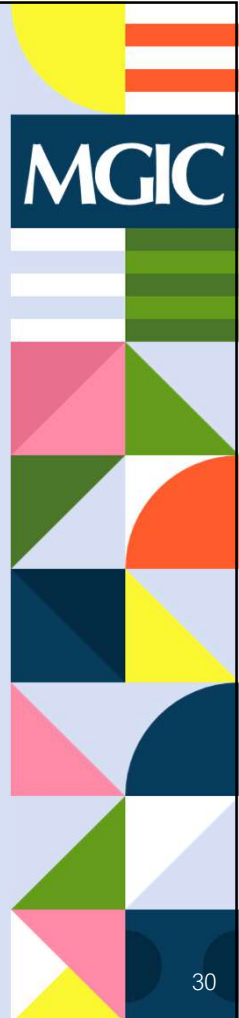
- Expenses deducted from taxable income that do not require actual cash payment
- Common types of “noncash” expenses
 - **Depreciation**
 - **Depletion**
 - **Amortization**
- Add back to cash flow if included in total expenses
- Schedules C, E & F and business returns



IRS limited loss/expense

- Limits loss/expense a taxpayer can deduct from taxable income
- Most common limited expense:
 - **Meals**
- “Nondeductible” portion must be deducted from cash flow
- Schedules C & E and business returns

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.



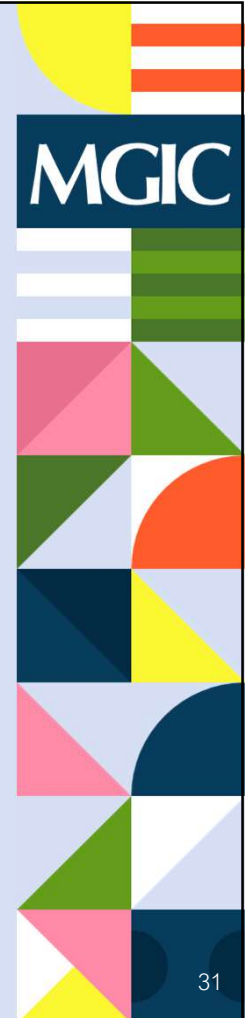
Recurring and nonrecurring income and expense

Recurring

- **Income:** Expected to continue 3 or more years
- **Expense:** Day-to-day cost of business operations

Nonrecurring

- **Income:** One-time occurrence (e.g., sale of an asset, prize)
- **Expense:** Extraordinary one-time occurrence (e.g., casualty loss)



Taxable vs. qualifying income

**Start
with taxable
income**



Add back

- Noncash expenses
- Business use of home
- One-time losses



Subtract

- Nonrecurring income
- **Account for** limited IRS expenses
- **Review** mortgages due in less than a year



Meet the borrowers

mortgage guaranty
insurance corporation

Loan application

Case study, pages 10 - 12

mortgage guaranty insurance corporation

Uniform Residential Loan Application

Verify and complete the information on this application, if you are applying for a loan and what you owe on them. I do not own any real estate.

Section 1: Borrower Information.

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) JIMMY 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
 Separated
 Unmarried
Dependents (not listed by another Borrower) Number: 0
Ages: _____

Current Address
Street 1750 PROSPERITY DRIVE
City JACKSON
How Long at Current Address? 4 Years 0 Months Housing No
If at Current Address for LESS than 2 years, list Former Address Do not apply

Mailing Address - If different from Current Address Does not apply
Street _____
City _____

1b. Current Employment/Self-Employment and Income

Employer or Business Name PROPERTY MAINTENANCE NINJAS
Street 800 W. COMMERCIAL AVENUE
City JACKSON State TN ZIP 38305
Position or Title OWNER
Start Date 02 / 15 / 2021 (mm/dd/yyyy)
How long in this line of work? 3 Years 0 Months
 Check if you are the Business Owner or Self-Employed I have an ownership share of less than 25% or more.

1c. IF APPLICABLE, Complete Information for Additional Employment

Employer or Business Name J & J PROPERTY SOLUTIONS
Street 2600 N EXECUTIVE DRIVE
City JACKSON State TN ZIP 38307
Position or Title OWNER
Start Date 09 / 01 / 2016 (mm/dd/yyyy)
How long in this line of work? 8 Years 0 Months
 Check if you are the Business Owner or Self-Employed I have an ownership share of less than 25% or more.

1c. IF APPLICABLE, Complete Information for Additional Employment

Employer or Business Name HIDE AWAY STORAGE
Street 62 WILLOW BLVD
City JACKSON State TN ZIP 38305
Position or Title OWNER
Start Date 01 / 01 / 2018 (mm/dd/yyyy)
How long in this line of work? 5 Years 0 Months
 Check if you are the Business Owner or Self-Employed I have an ownership share of less than 25% or more.

Section 3: Financial Information — Refinance

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

Address Street 1750 PROSPERITY DRIVE
City JACKSON
Property Value \$475,000
Intended Occupancy: Investment, Primary Residence, Second Home, Other
Mortgage Loans on this Property Does not apply
Creditor Name XYZ MORTGAGE
Account Number 8012345
Monthly Mortgage Payment \$

3b. IF APPLICABLE, Complete Information for Additional Property

Address Street 333 CLOVER STREET
City JACKSON
Property Value \$350,000
Intended Occupancy: Investment, Primary Residence, Second Home, Other
Mortgage Loans on this Property Does not apply
Creditor Name XYZ MORTGAGE
Account Number 8115678
Monthly Mortgage Payment \$

3c. IF APPLICABLE, Complete Information for Additional Property

Address Street 222 S. MAIN STREET
City JACKSON
Property Value \$1,000,000
Intended Occupancy: Investment, Primary Residence, Second Home, Other
Mortgage Loans on this Property Does not apply
Creditor Name ABC COMMERCIAL BK
Account Number 15618546512
Monthly Mortgage Payment \$

3c. IF APPLICABLE, Complete Information for Additional Property

Address Street 322 GOODVIEW LANE
City MEMPHIS
Property Value \$475,000
Intended Occupancy: Investment, Primary Residence, Second Home, Other
Mortgage Loans on this Property Does not apply
Creditor Name _____
Account Number _____
Monthly Mortgage Payment _____

Uniform Residential Loan Application — Additional Borrower

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

Section 1: Borrower Information.

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
 Separated
 Unmarried
Dependents (not listed by another Borrower) Number: 0
Ages: _____

Current Address
Street 1750 PROSPERITY DRIVE
City JACKSON State TN ZIP 38305
How Long at Current Address? 4 Years 0 Months Housing No
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
Street _____
City _____

1b. Current Employment/Self-Employment and Income

Employer or Business Name CREATIVE DESIGN CONCEPTS
Street 1000 INNOVATIONS WAY
City JACKSON State TN ZIP 38301
Position or Title OWNER
Start Date 10 / 01 / 2017 (mm/dd/yyyy)
How long in this line of work? 5 Years 0 Months
 Check if you are the Business Owner or Self-Employed I have an ownership share of less than 25% or more.

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

Employer or Business Name EQUITABLE PROPERTY GROUP, LLC
Street 1750 PROSPERITY DRIVE
City JACKSON State TN ZIP 38305
Position or Title OWNER
Start Date 05 / 20 / 2018 (mm/dd/yyyy)
How long in this line of work? 5 Years 0 Months
 Check if you are the Business Owner or Self-Employed I have an ownership share of less than 25% or more.



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)
 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)** \$4932
 Owner or Self-Employed 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

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

Employer or Business Name J & J PROPERTY SOLUTIONS Phone (831) 228 - 1255
 Street 2500 N EXECUTIVE DRIVE Unit #
 City JACKSON State TN ZIP 38305 Country USA

Position or Title OWNER

Start Date 09 / 01 / 2016 (mm/dd/yyyy)
 How long in this line of work? 6 Years Months

Check if you are the Business I have an ownership share of less than 25%. **Monthly Income (or Loss)** \$5483
 Owner or Self-Employed 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

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

Employer or Business Name HIDE AWAY STORAGE Phone (321) 236 - 5151
 Street 42 WILLOW BLVD Unit #
 City JACKSON State TN ZIP 38305 Country USA

Position or Title OWNER

Start Date 01 / 01 / 2019 (mm/dd/yyyy)
 How long in this line of work? 5 Years Months

Check if you are the Business I have an ownership share of less than 25%. **Monthly Income (or Loss)** \$95.83
 Owner or Self-Employed 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

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

Employer or Business Name CREATIVE DESIGN CONCEPTS Phone (731) 122 - 8544
 Street 1000 INNOVATIONS WAY Unit #
 City JACKSON State TN ZIP 38301 Country USA

Position or Title OWNER

Start Date 10 / 01 / 2017 (mm/dd/yyyy)
 How long in this line of work? 6 Years Months

Check if you are the Business I have an ownership share of less than 25%. **Monthly Income (or Loss)** \$5652
 Owner or Self-Employed 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

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

Check if you are the Business I have an ownership share of less than 25%. **Monthly Income (or Loss)** \$2096
 Owner or Self-Employed 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

mortgage guaranty insurance corporation

2023 Form 1040

Case study, pages 16 - 17

mortgage guaranty insurance corporation

Form 1040 (2023) Page 2

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	24,694.
17	Amount from Schedule 2, line 3	17	
18	Add lines 16 and 17	18	24,694.
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	24,694.
23	Other taxes, including self-employment tax, from Schedule 2, line 21	23	6,903.
24	Add lines 22 and 23. This is your total tax	24	31,597.

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)	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 <input type="checkbox"/>	35a	
b	Routing number [X][X][X][X][X][X][X][X][X][X] c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
d	Account number [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 2024 estimated tax	36	
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	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) _____

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.

Sign Here

Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
<i>Self Employed</i>		<i>Self Employed</i>	
Spouse's signature. If a joint return, both must sign. Keep a copy for your records.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)
		<i>Self Employed</i>	

Phone no. _____ Email address _____

Paid Preparer Use Only

Preparer's name	Preparer's signature	Date	PTIN	Check it: <input type="checkbox"/> Self-employed
Firm's name <i>Self-Prepared</i>				
Firm's address			Phone no.	Firm's EIN

Go to www.irs.gov/Form1040 for instructions and the latest information. BAA REV 01/27/24 TTW Form 1040 (2023)

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Form 1040 (2023)

Schedules 1, 2 & 3

Case study, pages 18 - 19

mortgage guaranty insurance corporation

SCHEDULE 1 (Form 1040) Additional Income and Adjustments to Income OMB No. 1545-0074
2023

Department of the Treasury Internal Revenue Service
Name(s) of filer: James
Schedule 1 (Form 1040) 2023 Page 2

Part I Adjustments to Income

11 Educ...
12 Certai...
13 Health...
14 Movin...
15 Deduc...
16 Self-e...
17 Self-e...
18 Penal...
19a Alimo...
19b Recip...
19c Date d...
20 IRA de...
21 Stude...
22 Reser...
23 Arche...
24 Other...
a Jury d...
b Deduc...
c Nonta...
d Refor...
e Repay...
f Contr...
g Contr...
h Attor...
i Attor...
j Housi...
k Exces...
z Other...
25 Total...
26 Add li...
For Paperw...

SCHEDULE 2 (Form 1040) Additional Taxes OMB No. 1545-0074
2023
Department of the Treasury Internal Revenue Service
Name(s) of filer: James
Schedule 2 (Form 1040) 2023 Page 2

Part I 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





6,903.
BAA REV 01/21/24 TTW Schedule 2 (Form 1040) 2023

SEB Documentation Matrix



Self-Employed Borrower 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.

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

A limited liability company (LLC) is a hybrid business and can file using the above IRS forms based on structure.

James & Jessica Johnson

- Married, no dependents
- James has an interest in 3 companies
- Jessica has an interest in 2 companies
- Own 3 rental properties
(Schedule E, page 1)

mortgage guaranty
insurance corporation



Meet James Johnson

Sole proprietor of Property Maintenance Ninjas
Schedule C

25% partner in Hide Away Storage

- Schedule E, page 2
- Partnership (1065) Schedule K-1
- Form 1065

50% shareholder in J & J Property Solutions
(S corporation)

- Schedule E, page 2
- S Corporation (1120-S) Schedule K-1
- Form 1120-S
- SEB W-2 may also be required

mortgage guaranty
insurance corporation





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**




**Schedule C
Sole Proprietorship**

MGIC


42

propertymaintenanceninjas.com




Property Maintenance Ninjas

We win the battle against wear and tear




Benefits

Our skilled team is dedicated to ensuring that your property is kept in pristine condition while providing efficient and cost-effective service.



Services

- Routine maintenance & repairs
- End-of-tenancy repairs
- Inspection punch-lists
- Renovations



Specialties

- Cleaning
- Painting
- Carpentry
- Plumbing
- Electrical work
- Window repair

YOUR ONE-STOP SHOP FOR BOTH RESIDENTIAL AND COMMERCIAL MAINTENANCE NEEDS SINCE 2021

mortgage guaranty insurance corporation

43

Noncash expenses

- Depreciation
- Depletion
- Amortization
- Business use of home

Limited IRS deductions

- Meals
- Travel & entertainment

Nonrecurring

- Other income
- One-time expenses

SAM Cash Flow Analysis Worksheet

SCHEDULE C - SOLE PROPRIETORSHIP		
Name: _____		
4	Net Profit (Loss): LINE 31	
5	Deduct nonrecurring income/add nonrecurring loss or expense: LINE 6	
6	Depletion: LINE 12	
7	Depreciation: LINE 13	
8	Non-Deductible Meals and Entertainment Exclusion: LINE 24b	()
9	Business Use of Home: LINE 30	
10	Business Miles: page 2, part IV, LINE 44a OR Related 4562, Line 30	*Miles
11a	x Depreciation Rate 2022: \$0.26, 2021: \$0.26, 2020: \$0.27	
11b	= Total Mileage Depreciation	
12	Amortization/ Casualty Loss (only if noted): page 2, part V	
SUBTOTAL		\$ -

2023 Schedule C

Case study, page 23

mortgage guaranty insurance corporation

SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship)

Department of the Treasury Internal Revenue Service

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partner must generally file Form 1065. Go to www.irs.gov/ScheduleC for instructions and the latest information.

OMB No. 1545-0074
2023
Attachment Sequence No. **09**

Name of proprietor: James Johnson
Social security number (SSN): 000-00-0000

A Principal business or profession, including product or service (see instructions): Property Maintenance and Repair Services
B Enter code from instructions: 999000

C Business name. If no separate business name, leave blank: Property Maintenance Ninjas
D Employer ID number (EIN) (see instr.):

E Business address (including suite or room number, city, town or post office, state, and ZIP code): 800 W Commercial Jackson, TN 38305

12	Depletion		12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	2,300	13	2,300
14	Benefit programs (other than health)		14	
15	Other deductions (see instructions):	1,200	15	1,200
16a	Interest on business loans (banks, etc.)	3,800	16a	3,800
16b	Interest on other business loans		16b	
17	Other business expenses	750	17	750

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.

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**

Is there a demand for the business product or service?

What is the location and nature of the borrower's business?

Is the business in existence?

Will the business continue generating and distributing sufficient income to enable the borrower to make the payments on the requested mortgage?



**SCHEDULE C
(Form 1040)**

Profit or Loss From Business
(Sole Proprietorship)

OMB No. 1545-0074

2023

Department of the Treasury
Internal Revenue Service

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.
Go to www.irs.gov/ScheduleC for instructions and the latest information.

Attachment
Sequence No. 09

Name of proprietor

James Johnson

Social security number (SSN)

000-00-0000

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

Property Maintenance and Repair Services

B Enter code from instructions

999000

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

Property Maintenance Ninjas

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

E Business address (including suite or room no.)

800 W Commercial Ave

City, town or post office, state, and ZIP code

Jackson, TN 38305

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

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses. Yes No

H If you started or acquired this business during 2023, check here Yes No

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions Yes No

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

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/>	1	125,965.
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	125,965.
4	Cost of goods sold (from line 42)	4	25,000.
5	Gross profit. Subtract line 4 from line 3	5	100,965.
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	Gross income. Add lines 5 and 6	7	100,965.

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

8	Advertising	8		18	Office expense (see instructions)	18	520.
9	Car and truck expenses (see instructions)	9	11,790.	19	Pension and profit-sharing plans	19	
10	Commissions and fees	10		20	Rent or lease (see instructions):	20	
11	Contract labor (see instructions)	11		a	Vehicles, machinery, and equipment	20a	
12	Depreciation	12		b	Other business property	20b	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	2,300.	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	1,200.	23	Taxes and licenses	23	
16	Interest (see instructions):	16		24	Travel and meals:	24	
a	Mortgage (paid to banks, etc.)	16a	3,800.	a	Travel	24a	
b	Other	16b		b	Deductible meals (see instructions)	24b	1,200.
17	Legal and professional services	17	750.	25	Utilities	25	1,850.
26	Wages (less employment credits)	26	24,000.	27a	Other expenses (from line 48)	27a	500.
27b	Energy efficient commercial bldgs deduction (attach Form 7205)	27b		28	Total expenses before expenses for business use of home. Add lines 8 through 27b	28	47,910.
29	Tentative profit or (loss). Subtract line 28 from line 7	29	53,055.	29		29	53,055.
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	400.	30		30	400.
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. • 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.	31	52,655.	32a	<input type="checkbox"/> All investment is at risk.	32b	<input type="checkbox"/> Some investment is not

SAM Cash Flow Analysis Worksheet

Name: Property Maintenance Ninjas - James

2023

4	Net Profit (Loss): LINE 31	
5	Deduct nonrecurring income/add nonrecurring loss or expense: LINE 6	
6	Depletion: LINE 12	
7	Depreciation: LINE 13	
8	Non-Deductible Meals and Entertainment Exclusion: LINE 24b	()
9	Business Use of Home: LINE 30	
10	Business Miles: Page 2, Part IV, LINE 44a OR Related 4562, Line 30	*Miles
11a	x Depreciation Rate 2023: \$0.28, 2022: \$0.26, 2021: \$0.26	
11b	= Total Mileage Depreciation	
12	Amortization/Casualty Loss (only if noted): page 2, part V	
	SUBTOTAL	\$ -

SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship)

OMB No. 1545-0074
2023
Attachment Sequence No. 09

Department of the Treasury Internal Revenue Service
Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065. Go to www.irs.gov/ScheduleC for instructions and the latest information.

Name of proprietor: James Johnson
Social security number (SSN): 000-00-0000

A Principal business or profession, including product or service (see instructions): Property Maintenance and Repair Services
B Enter code from instructions: 999000

C Business name, if no separate business name, leave blank: Property Maintenance Ninjas
D Employer ID number (EIN) (see instr.):

E Business address (including suite or room no.): 800 W Commercial Ave
City, town or post office, state, and ZIP code: Jackson, TN 38305

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

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses: Yes No

H If you started or acquired this business during 2023, check here: Yes No

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions: Yes No

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

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked: <input type="checkbox"/>	1	125,965.
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	125,965.
4	Cost of goods sold (from line 42)	4	25,000.
5	Subtract line 4 from line 3	5	100,965.
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	Gross income. Add lines 5 and 6	7	100,965.

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

8	Advertising	8		18	Office expense (see instructions)	18	520.
9	Car and truck expenses (see instructions)	9	11,790.	19	Pension and profit-sharing plans	19	
10	Commissions and fees	10		20	Rent or lease (see instructions):	20	
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	2,300.	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	1,200.	23	Taxes and licenses	23	
16	Interest (see instructions):	16		24	Travel and meals:	24	
a	Mortgage (paid to banks, etc.)	16a	3,800.	a	Travel	24a	
b	Other	16b		b	Deductible meals (see instructions)	24b	1,200.
17	Legal and professional services	17	750.	25	Utilities	25	1,850.
26	Wages (less employment credits)	26		27a	Other expenses (from line 48)	27a	500.
27b	Energy efficient commercial bldgs deduction (attach Form 7205)	27b		28	Total expenses before expenses for business use of home. Add lines 8 through 27b	28	47,910.
29	Tentative profit or (loss). Subtract line 28 from line 7	29		29		29	53,055.
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	400.	31	Net profit or (loss). Subtract line 30 from line 29.	31	52,655.

31 Net profit or (loss). Subtract line 30 from line 29: 52,655.

32a All investment is at risk.
32b Some investment is at risk.



SAM Cash Flow Analysis Worksheet

Name: Property Maintenance Minjas - James		2023
4	Net Profit (Loss): LINE 31	\$ 52,655.00
5	Deduct nonrecurring income/add nonrecurring loss or expense: LINE 6	
6	Depletion: LINE 12	
7	Depreciation: LINE 13	
8	Non-Deductible Meals and Entertainment Exclusion: LINE 24b	()
9	Business Use of Home: LINE 30	
10	Business Miles: Page 2, Part IV, LINE 44a OR Related 4562, Line 30	*Miles
11a	x Depreciation Rate 2023: \$0.28, 2022: \$0.26, 2021: \$0.26	
11b	= Total Mileage Depreciation	
12	Amortization/Casualty Loss (only if noted): page 2, part V	
SUBTOTAL		\$ 52,655.00

What is needed to **retain** other income?

- 1** Other income must be identified
- 2** Need to understand how it is related to the business operation
- 3** Need to have an expectation of continuance – history



SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship)
 Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065. Go to www.irs.gov/ScheduleC for instructions and the latest information.

OMB No. 1545-0074
2023
 Attachment Sequence No. 09

Name of proprietor: James Johnson
 Social security number (SSN): 000-00-0000

A Principal business or profession, including product or service (see instructions): Property Maintenance and Repair Services
B Enter code from instructions: 999000

C Business name, if no separate business name, leave blank: Property Maintenance Ninjas
D Employer ID number (EIN) (see instr.):

E Business address (including suite or room no.): 800 W Commercial Ave
 City, town or post office, state, and ZIP code: Jackson, TN 38305

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

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses: Yes No

H If you started or acquired this business during 2023, check here:

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions: Yes No

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

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked.	1	125,965.
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	125,965.
4	Cost of goods sold (from line 42)	4	25,000.
5	Subtract line 4 from line 3	5	100,965.
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	Gross income. Add lines 5 and 6	7	100,965.

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

8	Advertising	8		18	Office expense (see instructions)	18	520.
9	Car and truck expenses (see instructions)	9	11,790.	19	Pension and profit-sharing plans	19	
10	Commissions and fees	10		20	Rent or lease (see instructions):	20	
11	Contractors (see instructions)	11		a	Vehicles, machinery, and equipment	20a	
12	Depletion	12		b	Other business property	20b	
13	Depreciation and amortization expense deduction (not included in Part III) (see instructions)	13	2,300.	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	1,200.	23	Taxes and licenses	23	
16	Interest (see instructions):	16		24	Travel and meals:	24	
a	Mortgage (paid to banks, etc.)	16a	3,800.	b	Deductible meals (see instructions)	24b	1,200.
b	Other	16b		25	Utilities	25	17,800.
17	Legal and professional services	17	750.	26	Wages (less employment credits)	26	24,000.
27a	Other expenses (from line 48)	27a	500.	27a	Other expenses (from line 48)	27a	500.
27b	Energy efficient commercial bldgs deduction (attach Form 7205)	27b		27b	Energy efficient commercial bldgs deduction (attach Form 7205)	27b	
28	Total expenses before expenses for business use of home. Add lines 8 through 27b	28	47,910.	28		28	47,910.
29	Tentative profit or (loss). Subtract line 28 from line 7	29	53,055.	29		29	53,055.
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	400.	30		30	400.
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	52,655.	31		31	52,655.
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, 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.	32		32a	All investment is at risk.	32a	
				32b	Some investment is at risk.	32b	

SAM Cash Flow Analysis Worksheet

Name:	Property Maintenance Minjas - James	2023
4	Net Profit (Loss): LINE 31	\$ 52,655.00
5	Deduct nonrecurring income/add nonrecurring loss or expense: LINE 6	
6	Depletion: LINE 12	
7	Depreciation: LINE 13	\$ 2,300.00
8	Non-Deductible Meals and Entertainment Exclusion: LINE 24b	(\$ 1,200.00)
9	Business Use of Home: LINE 30	\$ 400.00
10	Business Miles: Page 2, Part IV, LINE 44a OR Related 4562, Line 30	*Miles
11a	x Depreciation Rate 2023: \$0.28, 2022: \$0.26, 2021: \$0.26	
11b	= Total Mileage Depreciation	
12	Amortization/Casualty Loss (only if noted): page 2, part V	
	SUBTOTAL	\$ 54,155.00

2 types of depreciation

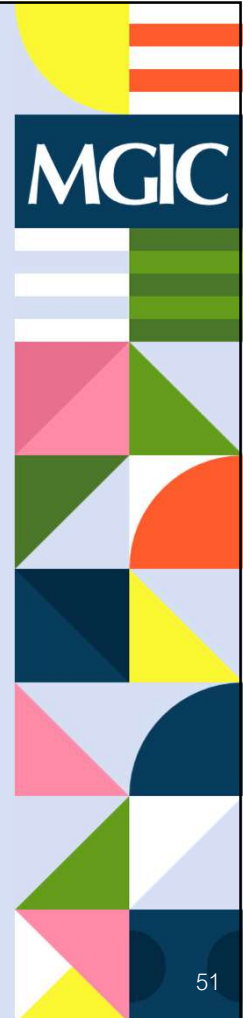
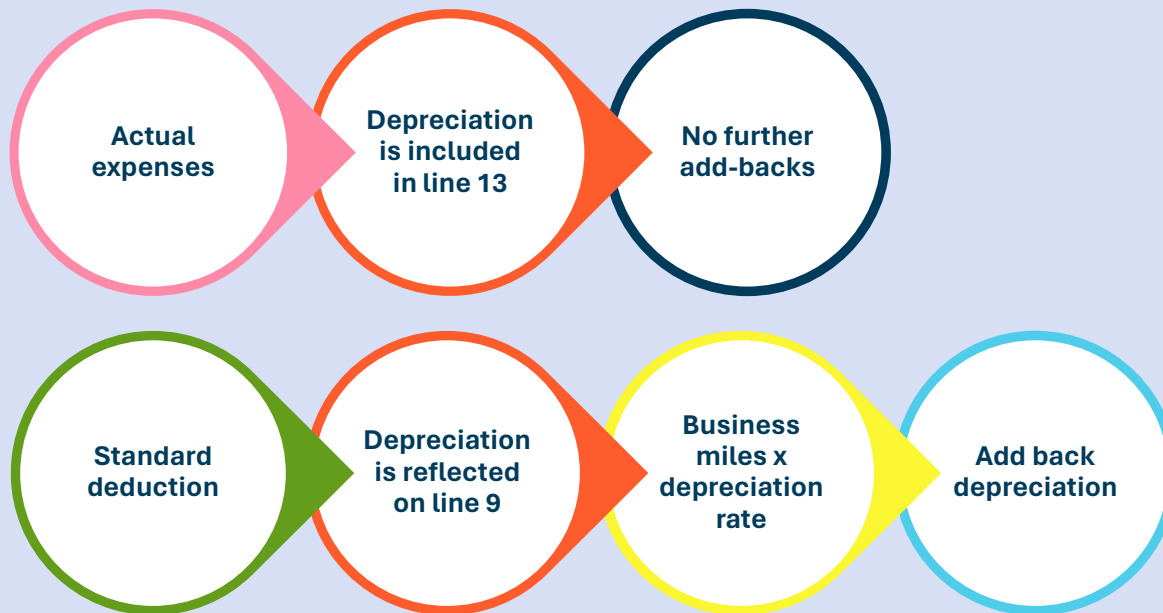
Business equipment or machinery



Vehicle depreciation



Actual expenses vs. standard deduction



Schedule C Part IV, 44(a)

**mortgage guaranty
insurance corporation**

Schedule C (Form 1040) 2023 Page **2**

Part III Cost of Goods Sold (see instructions)

33 Method(s) used to value closing inventory: a Cost b Lower of cost or market c Other (attach explanation)

34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation Yes No

35 Inventory at beginning of year. If different from last year's closing inventory, attach explanation	35	15,000.
36 Purchases less cost of items withdrawn for personal use	36	10,000.
37 Cost of labor. Do not include any amounts paid to yourself	37	12,000.
38 Materials and supplies		5,200.
39 Other costs		
40 Add lines 35 through 39		
41 Inventory at end of year	41	17,200.
42 Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on line 4	42	25,000.

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) See Additional Vehicle Information

44 Of the total number of miles you drove your vehicle during 2023, enter the number of miles you used your vehicle for:

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

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

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

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

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

Part V Other Expenses. List below business expenses not included on lines 8-26, line 27b, or line 30.

Dues	100.
Laundry	400.
48 Total other expenses. Enter here and on line 27a	48 500.

REV 01/24 TTY

Schedule C (Form 1040) 2023

Where to find business miles

1 business vehicle
Schedule C – Part IV, Line 44(a)

Up to 6 business vehicles
IRS Form 4562 – Section B, Line 30

Schedule C (Form 1040) 2022 Page 2

Part III Cost of Goods Sold (see instructions)

33 Method(s) used to value closing inventory: a Cost b Lower of cost or market c Other (attach explanation)

34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation Yes 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) 01/01/2019

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	12,000.	b Commuting (see instructions)		c Other	8,000.
------------	---------	--------------------------------	--	---------	--------

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

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

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

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

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	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

Can also be found on separate statement

mortgage guaranty
 insurance corporation

Form 4562

mortgage guaranty insurance corporation

Form 4562
 Department of the Treasury
 Internal Revenue Service

Depreciation and Amortization
 (Including Information on Listed Property)

OMB No. 1545-0172
2023
 Attachment Sequence No. 179

Go to www.irs.gov/Form4562 for instructions and the latest information.

Name(s) shown on return: **James Johnson**
 Business or activity to which this form relates: _____
 Identifying number: _____

Part I Election To Expense
 Note: If you have:
 1 Maximum amount (see instructions)
 2 Total cost of section 179 property
 3 Threshold cost of section 179 property
 4 Reduction in limitation. Subtract
 5 Dollar limitation for tax year (separately, see instructions)

Part II Special Depreciation
 14 Special depreciation allowance during the tax year. See instructions.

Part III MACRS Depreciation
 17 MACRS deductions for assets
 18 If you are electing to group asset accounts, check here: _____

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	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
31 Total commuting miles driven during the year (don't include commuting miles)												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32	12000		6000		0		0		0		0	
34 Was the vehicle available for personal use during off-duty hours?	X		X									
35 Was the vehicle used primarily by a more than 5% owner or related person?	X		X									
36 Is another vehicle available for personal use?	X		X									

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 IV Summary (See instructions)
 21 Listed property. Enter amount

(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 2023 tax year (see instructions):					
43 Amortization of costs that began before your 2023 tax year					43
44 Total. Add amounts in column (f). See the instructions for where to report					44

JSA
 3X2310 1.000

Form **4562** (2023)

Checking for standard deduction MGIC

Form 4562, Line 30

	(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) . . .	12000		6000									
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	12000		6000		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
	X		X									
35 Was the vehicle used primarily by a more than 5% owner or related person?	X		X									
36 Is another vehicle available for personal use?	X		X									

Checking the math:
 $18,000 \text{ (business miles)} \times .655 \text{ (2023 factor)} = \$11,790$

Schedule C, Line 9

Part II Expenses		Enter expenses for business use of your home only on line 30.	
8	Advertising	8	
9	Car and truck expenses (see instructions)	9	11,790.
10	Commissions and fees	10	
11	Contract labor (see instructions)	11	
12	Depletion	12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	2,300.
14	Employee benefit programs (other than on line 19)	14	
15	Insurance (other than health)	15	1,200.
16	Interest (see instructions):		
a	Mortgage (paid to banks, etc.)	16a	3,800.
b	Other	16b	
17	Legal and professional services	17	750.
18	Office expense (see instructions)	18	520.
19	Pension and profit-sharing plans	19	
20	Rent or lease (see instructions):		
a	Vehicles, machinery, and equipment	20a	
b	Other business property	20b	
21	Repairs and maintenance	21	
22	Supplies (not included in Part III)	22	
23	Taxes and licenses	23	
24	Travel and meals:		
a	Travel	24a	
b	Deductible meals (see instructions)	24b	1,200.
25	Utilities	25	1,850.
26	Wages (less employment credits)	26	24,000.
27a	Other expenses (from line 48)	27a	500.
b	Energy efficient commercial bldgs deduction (attach Form 7205)	27b	

Year	Standard Deduction	Depreciation
2021	56.0¢	26¢
1/1/22 through 6/30/22	58.5¢	26¢
7/1/22 through 12/31/22	62.5¢	26¢
2023	65.5¢	28¢



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:								
Ford F350	01/01/2019	100 %						
GMC Sierra 2500HD	05/30/2023	100 %						
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)	12000	6000				
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	12000	6000	0	0	0	0
34 Was the vehicle available for personal use during off-duty hours?	X	X				
35 Was the vehicle used primarily by a more than 5% owner or related person?	X	X				
36 Is another vehicle available for personal use?	X	X				

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

Business Miles x Depreciation Rate

- 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 2023 tax year (see instructions):					
43 Amortization of costs that began before your 2023 tax year 43					
44 Total. Add amounts in column (f). See the instructions for where to report 44					

SAM Cash Flow Analysis Worksheet

Name:	Property Maintenance Minjas - James	2023
4	Net Profit (Loss): LINE 31	\$ 52,655.00
5	Deduct nonrecurring income/add nonrecurring loss or expense: LINE 6	
6	Depletion: LINE 12	
7	Depreciation: LINE 13	\$ 2,300.00
8	Non-Deductible Meals and Entertainment Exclusion: LINE 24b	(\$ 1,200.00)
9	Business Use of Home: LINE 30	\$ 400.00
10	Business Miles: Page 2, Part IV, LINE 44a OR Related 4562, Line 30	*Miles 18,000
11a	x Depreciation Rate 2023: \$0.28, 2022: \$0.26, 2021: \$0.26	\$ 0.28
11b	= Total Mileage Depreciation	\$ 5,040.00
12	Amortization/Casualty Loss (only if noted): page 2, part V	
SUBTOTAL		\$ 59,195.00



Schedule C (Form 1040) 2023 Page 2
Part III Cost of Goods Sold (see instructions)

33 Method(s) used to value closing inventory: a Cost b Lower of cost or market c Other (attach explanation)

34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation Yes No

35 Inventory at beginning of year. If different from last year's closing inventory, attach explanation	35	15,000.
36 Purchases less cost of items withdrawn for personal use	36	10,000.
37 Cost of labor. Do not include any amounts paid to yourself	37	12,000.
38 Materials and supplies	38	5,200.
39 Other costs	39	
40 Add lines 35 through 39	40	42,200.
41 Inventory at end of year	41	17,200.
42 Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on line 4	42	25,000.

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.

See Additional Vehicle Information

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

44 Of the total number of miles you drove your vehicle during 2023, enter the number of miles you used your vehicle for:
a Business b Commuting (see instructions) c Other

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

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

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

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

Part V Other Expenses. List below business expenses not included on lines 8-26, line 27b, or line 30.

Dues	100.
Laundry	400.
.....	
.....	
.....	
.....	
.....	
.....	
.....	
.....	
48 Total other expenses. Enter here and on line 27a	500.

REV 01/21/24 TTW Schedule C (Form 1040) 2023

SAM Cash Flow Analysis Worksheet

Name: Property Maintenance Minjas - James		2023
4	Net Profit (Loss): LINE 31	\$ 52,655.00
5	Deduct nonrecurring income/add nonrecurring loss or expense: LINE 6	
6	Depletion: LINE 12	
7	Depreciation: LINE 13	\$ 2,300.00
8	Non-Deductible Meals and Entertainment Exclusion: LINE 24b	(\$ 1,200.00)
2023 cash flow is complete		
10	Business miles. Page 2, Part IV, LINE 44a OR related 4562, LINE 30	18,000 MILES
11a	x Depreciation Rate 2023: \$0.28, 2022: \$0.26, 2021: \$0.26	\$ 0.28
11b	= Total Mileage Depreciation	\$ 5,040.00
12	Amortization/Casualty Loss (only if noted): page 2, part V	
	SUBTOTAL	\$ 59,195.00

**You can
do this!**

**Please cash flow
tax year 2022**

 **Ready**

 **Set**

 **Go**

SCHEDULE C (Form 1040)

Profit or Loss From Business (Sole Proprietorship)

OMB No. 1545-0074

Department of the Treasury Internal Revenue Service

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.

2022 Attachment Sequence No. 09

Name of proprietor: James Johnson
Social security number (SSN): 99900000
Principal business or profession: Property Maintenance and Repair Services
Business name: Property Maintenance Ninjas
Business address: 800 W Commercial Ave, Jackson, TN 38305
Accounting method: Cash
Gross receipts or sales: 117,200
Gross profit: 28,000
Gross income: 93,700

Table with 2 columns: Line number and Amount. Rows include Gross receipts or sales (117,200), Returns and allowances (0), Subtotal (117,200), Cost of goods sold (28,000), Gross profit (28,000), Other income (4,500), and Gross income (93,700).

Table with 2 columns: Line number and Amount. Rows include Advertising (0), Car and truck expenses (7,260), Contract labor (0), Depreciation (0), Employee benefit programs (0), Insurance (1,000), Interest (3,800), Mortgage (0), Other (600), Office expense (50), Pension (0), Rent or lease (0), Vehicles, machinery, and equipment (0), Other business property (0), Repairs and maintenance (0), Supplies (2,400), Taxes and licenses (0), Travel and meals (0), Deductible meals (1,000), Utilities (1,650), Wages (6,000), Other expenses (800), and Reserved for future use (0).

Expenses for business use of your home. Total expenses before expenses for business use of home: 24,560. Tentative profit or (loss): 69,140. Net profit or (loss): 69,140.

Schedule C (Form 1040) 2022

Page 2

Part III Cost of Goods Sold (see instructions)

Table with 2 columns: Line number and Amount. Rows include Method(s) used to value closing inventory (Cost), Was there any change in determining quantities, costs, or valuations between opening and closing inventory?, Inventory at beginning of year (26,000), Purchases less cost of items withdrawn for personal use (15,000), Cost of labor (0), Materials and supplies (2,000), Other costs (0), Add lines 35 through 39 (43,000), Inventory at end of year (15,000), and Cost of goods sold (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.

When did you place your vehicle in service for business purposes? 01/01/2019
Of the total number of miles you drove your vehicle during 2022, enter the number of miles you used your vehicle for: Business (12,000), Commuting (0), Other (8,000)
Was your vehicle available for personal use during off-duty hours? Yes
Do you (or your spouse) have another vehicle available for personal use? Yes
Do you have evidence to support your deduction? Yes

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

Table with 2 columns: Expense type and Amount. Rows include Dues (100), Laundry (400), and Casualty Loss (300).

Total other expenses. Enter here and on line 27a: 800.

mortgage guaranty insurance corporation

The borrower used standard deduction



Declining income . . . Now what?

Word bank:

higher

averaged

lower

disregarded

1. If the trend in the amount of income is stable or increasing, the income amount should be averaged .
2. If the trend is declining but has since stabilized and there's no reason to believe the borrower will not continue to be employed at the current level, the lower amount of income must be used.
3. If the trend is declining, the income may not be stable. Additional analysis must be conducted to determine if any income should be used, but in no instance may it be averaged over the period when the decline occurred.

Submission from Borrower

Letter of Explanation

To whom it may concern,

Please accept this letter as an explanation of the declining 2023 income for Property Maintenance Ninjas. Last year was a year of expansion for us. We hired an additional technician and purchased a new work vehicle. Because of this additional staffing, we were able to obtain a new service contract, see attached. We expect for 2024 to exceed prior earnings history and, in fact, our YTD P&L shows an increase of about 25% from 2022.

YTD P&L

Property Maintenance Ninjas

Income Statement
Date: 3/31/24

Income:	
Services rendered	\$46,850
Other income	\$ 500
Cost of materials	\$ 6,750
GROSS PROFITS	\$40,600
Expenses:	
Salaries	\$ 15,500
Licenses	\$ 500
Insurance	\$ 400
Maintenance	\$ 250
Meals	\$ 375
Depreciation	\$ 975
Mortgage	\$ 950
Auto	\$ 1,895
TOTAL EXPENSES	\$20,845
NET PROFIT	\$19,755

Comparison

SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship)

OMB No. 1545-0074
2023 Attachment Sequence No. 09

Department of the Treasury Internal Revenue Service
Go to www.irs.gov/ScheduleC for instructions and the latest information.

Name of proprietor: James Johnson
Social security number (SSN): 000-00-0000

A Principal business or profession, including product or service (see instructions)
Property Maintenance and Repair Services

B Enter code from instructions
999000

C Business name, if no separate business name, leave blank.
Property Maintenance Nijas

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

E Business address (including suite or room no.)
800 W Commercial Ave
Jackson, TN 38305

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

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses. Yes No

H If you started or acquired this business during 2023, check here

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions Yes No

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

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/>	1	125,965.
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	125,965.
4	Cost of goods sold (from line 42)	4	25,000.
5	Gross profit. Subtract line 4 from line 3	5	100,965.
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	Gross income. Add lines 5 and 6	7	100,965.

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

8	Advertising	8	
9	Car and truck expenses (see instructions)	9	11,790.
10	Commissions and fees	10	
11	Contract labor (see instructions)	11	
12	Depletion	12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	2,300.
14	Employee benefit programs (other than on line 19)	14	
15	Insurance (other than health)	15	1,200.
16	Interest (see instructions): a Mortgage (paid to banks, etc.) b Other	16a 16b	3,800. 500.
17	Legal and professional services	17	750.
18	Office expense (see instructions)	18	520.
19	Pension and profit-sharing plans	19	
20	Rent or lease (see instructions): a Vehicles, machinery, and equipment b Other business property	20a 20b	
21	Repairs and maintenance	21	
22	Supplies (not included in Part III) (see instructions)	22	
23	Taxes and licenses	23	
24	Travel and meals: a Travel b Deductible meals (see instructions)	24a 24b	1,200. 550.
25	Wages (less employment credits)	25	24,000.
26	Other expenses (from line 15): a Energy-efficient commercial bldgs deduction (attach Form 7209) b Other	26a 26b	500.
27	Total expenses before expenses for business use of home. Add lines 8 through 27b	27	47,910.
28	Tentative profit or (loss). Subtract line 28 from line 7	28	53,055.
29	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	29	
30	Net profit or (loss). Subtract line 30 from line 29	30	400.
31	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	52,655.
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 32b	<input type="checkbox"/> All investment is at risk. <input type="checkbox"/> Some investment is not at risk.

mortgage guaranty insurance corporation

SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship)

OMB No. 1545-0074
2022 Attachment Sequence No. 09

Department of the Treasury Internal Revenue Service
Go to www.irs.gov/ScheduleC for instructions and the latest information.

Name of proprietor: James Johnson
Social security number (SSN): 000-00-0000

A Principal business or profession, including product or service (see instructions)
Property Maintenance and Repair Services

B Enter code from instructions
999000

C Business name, if no separate business name, leave blank.
Property Maintenance Nijas

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

E Business address (including suite or room no.)
800 W Commercial Ave
Jackson, TN 38305

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

G Did you "materially participate" in the operation of this business during 2022? If "No," see instructions for limit on losses. Yes No

H If you started or acquired this business during 2022, check here

I Did you make any payments in 2022 that would require you to file Form(s) 1099? See instructions Yes No

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

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/>	1	117,200.
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	117,200.
4	Cost of goods sold (from line 42)	4	29,000.
5	Gross profit. Subtract line 4 from line 3	5	88,200.
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	93,700.

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

8	Advertising	8	
9	Car and truck expenses (see instructions)	9	7,260.
10	Commissions and fees	10	
11	Contract labor (see instructions)	11	
12	Depletion	12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	2,400.
14	Employee benefit programs (other than on line 19)	14	
15	Insurance (other than health)	15	1,000.
16	Interest (see instructions): a Mortgage (paid to banks, etc.) b Other	16a 16b	3,800. 800.
17	Legal and professional services	17	600.
18	Office expense (see instructions)	18	50.
19	Pension and profit-sharing plans	19	
20	Rent or lease (see instructions): a Vehicles, machinery, and equipment b Other business property	20a 20b	
21	Repairs and maintenance	21	
22	Supplies (not included in Part III) (see instructions)	22	
23	Taxes and licenses	23	
24	Travel and meals: a Travel b Deductible meals (see instructions)	24a 24b	1,000.
25	Wages (less employment credits)	25	6,000.
26	Other expenses (from line 15): a Energy-efficient commercial bldgs deduction (attach Form 7209) b Other	26a 26b	800.
27	Total expenses before expenses for business use of home. Add lines 8 through 27a	27	24,560.
28	Tentative profit or (loss). Subtract line 28 from line 7	28	69,140.
29	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	29	
30	Net profit or (loss). Subtract line 30 from line 29	30	
31	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	69,140.
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 32b	<input type="checkbox"/> All investment is at risk. <input type="checkbox"/> Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions. BAA REV 07/23/23 TTW Schedule C (Form 1040) 2022

Submission from Borrower

Letter of Explanation

To whom it may concern,

Please accept this letter as an explanation of the declining 2023 income for Property Maintenance Ninjas. Last year was a year of expansion for us. We hired an additional technician and purchased a new work vehicle. Because of this additional staffing, we were able to obtain a new service contract, see attached. We expect for 2024 to exceed prior earnings history and, in fact, our YTD P&L shows an increase of about 25% from 2022.

YTD P&L

Property Maintenance Ninjas

Income Statement
Date: 3/31/24

Income:	
Services rendered	\$46,850
Other income	\$ 500
Cost of materials	\$ 6,750
GROSS PROFITS	\$40,600
Expenses:	
Salaries	\$ 15,500
Licenses	\$ 500
Insurance	\$ 400
Maintenance	\$ 250
Meals	\$ 375
Depreciation	\$ 975
Mortgage	\$ 950
Auto	\$ 1,895
TOTAL EXPENSES	\$20,845
NET PROFIT	\$19,755

Cash flow of YTD P&L

Cash Flow P&L

Profit and Loss Statement Analysis

X	SOLE PROPRIETORSHIP	Property Maintenance Ninjas
Time Frame (i.e., YTD, quarterly):	YTD	
Date From:	1/1/2024	
Date Paid Through:	3/31/2024	
Net Profit (Loss):	\$	19,755.00
Deduct nonrecurring income:	(\$	500.00)
Add nonrecurring loss:		
Depletion:		
Depreciation:	\$	975.00
Amortization/Casualty Loss:		
Other: meals	\$	(375.00)
Total Income:	\$	19,855.00
Monthly Income:	\$	6,618.33

mortgage guaranty
insurance corporation

YTD P&L

Property Maintenance Ninjas

Income Statement
Date: 3/31/24

Income:	
Services rendered	\$46,850
Other income	\$ 500
Cost of materials	\$ 6,750
GROSS PROFITS	\$40,600
Expenses:	
Salaries	\$ 15,500
Licenses	\$ 500
Insurance	\$ 400
Maintenance	\$ 250
Meals	\$ 375
Depreciation	\$ 975
Mortgage	\$ 950
Auto	\$ 1,895
TOTAL EXPENSES	\$20,845
NET PROFIT	\$19,755

What is the earnings trend with YTD?

YTD Earnings			
Profit and Loss Statement Analysis			
User Tips:			
<ul style="list-style-type: none"> • Add borrower information in blue-shaded fields • Click the "O" button to expand income source section • Click "+" to add additional columns within business section 			
BORROWER NAME:		James Johnson	
Sole Proprietorship Cash Flow			
Use of this information is discretionary. FOLLOW INVESTOR GUIDELINES.			
<input checked="" type="checkbox"/>	SOLE PROPRIETORSHIP	Property Maintenance Ninjas	
Time Frame (i.e., YTD, quarterly):		YTD	
Date From:		1/1/2024	
Date Paid Through:		3/31/2024	
Net Profit (Loss):	\$	19,755.00	
Deduct nonrecurring income:	(\$	500.00)	(
Add nonrecurring loss:			
Depletion:			
Depreciation:	\$	975.00	
Amortization/Casualty Loss:			
Other:	meals	\$	(375.00)
Total Income:		\$	19,855.00
Monthly Income:		\$	6,618.33

mortgage guaranty insurance corporation

2023 & 2022 Earnings			
2023		2022	
	2023	2022	+ -
	\$ 52,655.00	\$ 69,140.00	
		\$ (4,500.00)	
	\$ 2,300.00	\$ 2,400.00	
	(\$ 1,200.00)	(\$ 1,000.00)	
	\$ 400.00		
*Miles	18,000	*Miles 12,000	
	\$ 0.28	\$ 0.26	
	\$ 5,040.00	\$ 3,120.00	
		\$ 300.00	
	\$ 59,195.00	\$ 69,460.00	
	/12 = \$4,933	/12 = \$5,788	

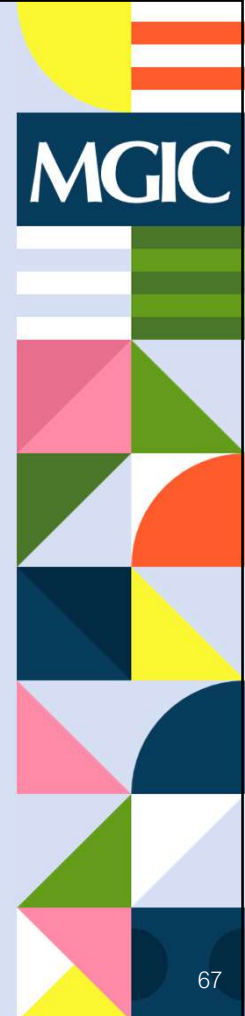
Determining qualifying income

SAM Cash Flow Analysis Worksheet



X SCHEDULE C - SOLE PROPRIETORSHIP		2023	2022		
Name: Property Maintenance Ninjas - James		2023	2022	+	-
4	Net Profit (Loss): LINE 31	\$ 52,655.00	\$ 69,140.00		
5	Deduct nonrecurring income/add nonrecurring loss or expense: LINE 6		\$ (4,500.00)		
6	Depletion: LINE 12				
7	Depreciation: LINE 13	\$ 2,300.00	\$ 2,400.00		
8	Non-Deductible Meals and Entertainment Exclusion: LINE 24b	(\$ 1,200.00)	(\$ 1,000.00)		
9	Business Use of Home: LINE 30	\$ 400.00			
10	Business Miles: Page 2, Part IV, LINE 44a OR Related 4562, Line 30	*Miles 18,000	*Miles 12,000		
11a	x Depreciation Rate 2023: \$0.28, 2022: \$0.26, 2021: \$0.26	\$ 0.28	\$ 0.26		
11b	= Total Mileage Depreciation	\$ 5,040.00	\$ 3,120.00		
12	Amortization/Casualty Loss (only if noted): page 2, part V		\$ 300.00		
SUBTOTAL		\$ 59,195.00	\$ 69,460.00		

1	Schedule C Property Maintenance Ninjas - James	<input type="checkbox"/>	\$ 59,195.00	12	<input type="checkbox"/>	\$ 69,460.00	12	\$ 5,360.63	<input type="checkbox"/>	24
2	Schedule C Property Maintenance Ninjas - James	<input type="checkbox"/>	\$ 59,195.00	12	<input checked="" type="checkbox"/>	\$ 69,460.00	0	\$ 4,932.92	<input type="checkbox"/>	12
3	Schedule C Property Maintenance Ninjas - James	<input checked="" type="checkbox"/>	\$ 59,195.00	0	<input checked="" type="checkbox"/>	\$ 69,460.00	0	\$ -	<input type="checkbox"/>	0



Final determination of qualifying income

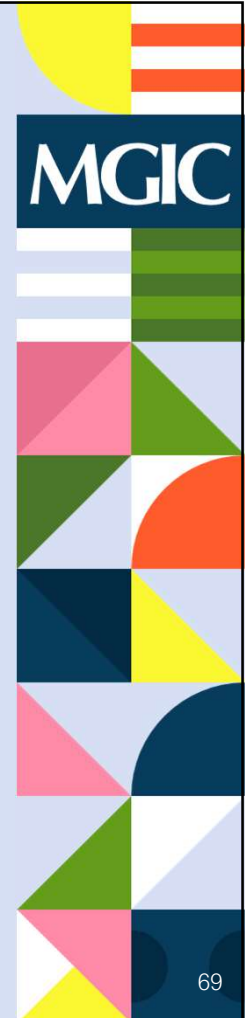
SAM Cash Flow Analysis Worksheet		MGIC	
X	SCHEDULE C - SOLE PROPRIETORSHIP	2023	2022
Name:	Property Maintenance Ninjas - James	2023	2022 + -
4	Net Profit (Loss): LINE 31	\$ 52,655.00	\$ 69,140.00
5	Deduct nonrecurring income/add nonrecurring loss or expense: LINE 6		\$ (4,500.00)
6	Depletion: LINE 12		
7	Depreciation: LINE 13	\$ 2,300.00	\$ 2,400.00
8	Non-Deductible Meals and Entertainment Exclusion: LINE 24b	(\$ 1,200.00)	(\$ 1,000.00)
9	Business Use of Home: LINE 30	\$ 400.00	
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11b	= Total Mileage Depreciation	\$ 5,040.00	\$ 3,120.00
12	Amortization/Casualty Loss (only if noted): page 2, part V		\$ 300.00
SUBTOTAL		\$ 59,195.00	\$ 69,460.00

Schedule C	Property Maintenance Ninjas - James	\$	59,195.00	12	V	\$	69,460.00	0	\$	4,932.92	12
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Purpose of cash flow analysis

Verify qualifying income that is:

- Stable
- Likely to continue



TOOLS FOR SUCCESS!



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

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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

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Amanda, Underwriter

01 02

Request access to the worksheets

Complete this form to gain instant access to our SEB worksheets: SAM Cash Flow Analysis with P&L, Comparative Income Analysis and Liquidity. You can also access our Income Analysis and Rental Income worksheets from this page.

First Name:

MGIC worksheets

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The screenshot shows the MGIC website's 'SEB and income analysis calculators and resources' page. The page features a navigation bar with links for 'Rates', 'Underwriting', 'Ordering / Servicing', 'Training', 'Tools', 'Mortgage Connects', and 'About MGIC'. A prominent pink button says 'Get a quick quote'. The main content area is titled 'SEB and income analysis calculators and resources' and includes a sub-header: 'Explore and download MGIC's editable, auto-calculating self-employed borrower and employment and other income worksheets and resources.' Below this is a breadcrumb trail 'MGIC > underwriting > seb >' and three buttons: 'Overview video', 'Updated calculators', and 'Additional resources'. A video player is embedded, showing a thumbnail for 'Overview & demo: All-in-one self-employed income calculator'. A yellow banner contains the text 'PLEASE NOTE: Download and save a copy to your desktop as a template.' The page is divided into sections for 'Updated calculators', 'FEATURED CALCULATOR', and 'OTHER CALCULATORS'. The featured calculator is the 'All-in-one self-employed income calculator', which is macro-enabled and includes SAM cash flow analysis, liquidity, comparative income analysis, and P&L analysis. Other calculators listed include 'Employment & other income calculator' and 'Rental income calculator'.

SEB and income analysis calculators and resources
Explore and download MGIC's editable, auto-calculating self-employed borrower and employment and other income worksheets and resources.

MGIC > underwriting > seb >

Overview video Updated calculators Additional resources FAQs

Updated cash flow analysis worksheets for tax year 2023
Now available for downloading, MGIC's popular income analysis worksheets include:

- All-in-one self-employed income calculator, including 4 worksheets to analyze your borrower's income
- Employment and other income calculator
- Rental income calculator

Watch our overview video >
Download the calculators below >

Updated calculators
Available in macro-enabled or macro-free versions. To learn more about these versions and MGIC's auto-calculating worksheets, [see our FAQs below](#). Having trouble with macro-enabled calculators? Try our macro-free alternatives below.

FEATURED CALCULATOR

All-in-one self-employed income calculator
Macro-enabled version. Incorporates 4 worksheets, including SAM cash flow analysis, liquidity, comparative income analysis and P&L analysis. (1/1/2024)
Download and save macro-enabled >

OTHER CALCULATORS

Employment & other income calculator
Macro-enabled version. Designed to calculate salaried borrowers' monthly qualifying income (fixed and variable) and gross-up non-taxable income. (2/21/2024)
Download and save macro-enabled >

Rental income calculator


PLEASE NOTE: Download and save a copy to your desktop as a template.

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>

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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.

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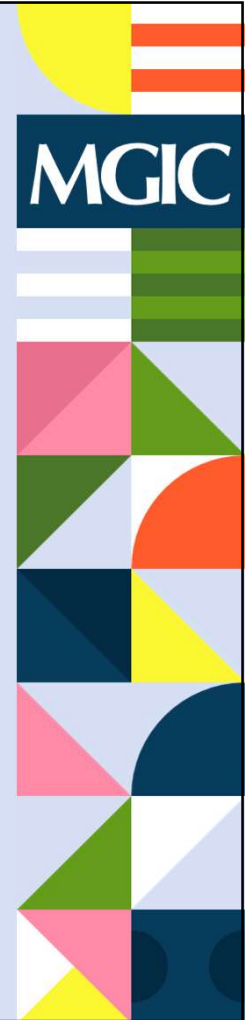
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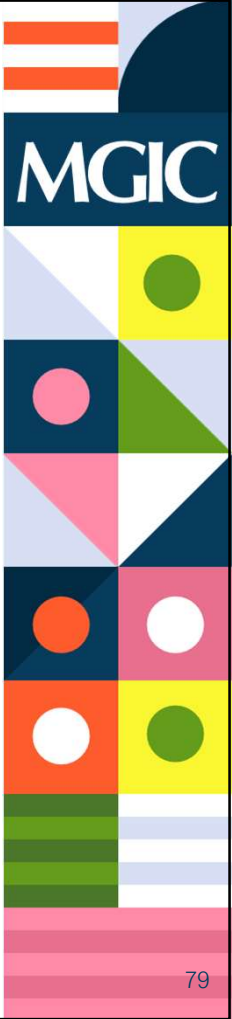
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Answer key

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SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship)

OMB No. 1545-0074
2022 Attachment Sequence No. 09

Department of the Treasury Internal Revenue Service
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.

Name of proprietor: James Johnson
Social security number (SSN): 000-00-0000

Principal business or profession, including product or service (see instructions): Property Maintenance and Repair Services
B Enter code from instructions: 999000

Business name, if no separate business name, leave blank: Property Maintenance Ninjas
D Employer ID number (EIN) (see instr.):

Business address (including suite or room no.): 800 W Commercial Ave
City, town or post office, state, and ZIP code: JACKSON, TN 38305

Accounting method: (1) Cash (2) Accrual (3) Other (specify):

Did you "materially participate" in the operation of this business during 2022? If "No," see instructions for limit on losses: Yes No

If you started or acquired this business during 2022, check here: Yes No

Did you make any payments in 2022 that would require you to file Form(s) 1099? See instructions: Yes No

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

Part I Income	
1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked: <input type="checkbox"/>
2	Returns and allowances
3	Subtract line 2 from line 1
4	Cost of goods sold (from line 42)
5	Gross profit. Subtract line 4 from line 3
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)
7	Gross income. Add lines 5 and 6
Part II Expenses. Enter expenses for business use of your home only on line 30.	
8	Advertising
9	Car and truck expenses (see instructions)
10	Commissions and fees
11	Contract labor (see instructions)
12	Depletion
13	Depreciation (see instructions) (do not include depreciation deducted in Part III) (see instructions)
14	Employee benefit programs (other than on line 19)
15	Insurance (other than health)
16	Interest (see instructions):
16a	Mortgage (paid to banks, etc.)
16b	Other
17	Legal and professional services
18	Office expense (see instructions)
19	Pension and profit-sharing plans
20	Rent or lease (see instructions):
20a	Vehicles, machinery, and equipment
20b	Other business property
21	Repairs and maintenance
22	Supplies (not included in Part III)
23	Taxes and licenses
24	Travel and meals:
24a	Travel
24b	Deductible meals (see instructions)
25	Utilities
26	Wages (less employment credits)
27a	Other expenses (from line 48)
27b	Reserved for future use
28	Total expenses before expenses for business use of home. Add lines 8 through 27a
29	Tentative profit or (loss). Subtract line 28 from line 7
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
31	Net profit or (loss). Subtract line 30 from line 29
32	If you have a loss, check the box that describes your investment in this activity. See instructions.

For Paperwork Reduction Act Notice, see the separate instructions. REV 07/23/23 TTW Schedule C (Form 1040) 2022

SAM Cash Flow Analysis Worksheet

Name: Property Maintenance Ninjas 2022

4	Net Profit (Loss): LINE 31	\$ 69,140.00
5	Deduct nonrecurring income/add nonrecurring loss or expense: LINE 6	\$ (4,500.00)
6	Depletion: LINE 12	
7	Depreciation: LINE 13	\$ 2,400.00
8	Non-Deductible Meals and Entertainment Exclusion: LINE 24b	(\$ 1,000.00)
9	Business Use of Home: LINE 30	
10	Business Miles: Page 2, Part IV, LINE 44a OR Related 4562, Line 30	*Miles
11a	x Depreciation Rate 2023: \$0.28, 2022: \$0.26, 2021: \$0.26	
11b	= Total Mileage Depreciation	
12	Amortization/Casualty Loss (only if noted): page 2, part V	
	SUBTOTAL	\$ 66,040.00

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Schedule C (Form 1040) 2022 Page **2**

Part III Cost of Goods Sold (see instructions)

33 Method(s) used to value closing inventory: a Cost b Lower of cost or market c Other (attach explanation)

34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation Yes 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) 01/01/2019

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	12,000	b Commuting (see instructions)	8,000
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45 Was your vehicle available for personal use during off-duty hours? Yes No

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

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

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	800.

REV 07/23/23 TTW Schedule C (Form 1040) 2022

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SAM Cash Flow Analysis Worksheet

Name: Property Maintenance Ninjas	2022
4 Net Profit (Loss): LINE 31	\$ 69,140.00
5 Deduct nonrecurring income/add nonrecurring loss or expense: LINE 6	\$ (4,500.00)
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11a x Depreciation Rate 2023: \$0.28, 2022: \$0.26, 2021: \$0.26	\$ 0.26
11b = Total Mileage Depreciation	\$ 3,120.00
12 Amortization/Casualty Loss (only if noted): page 2, part V	\$ 300.00
SUBTOTAL	\$ 69,460.00

Analyzing earnings trends

X	SCHEDULE C - SOLE PROPRIETORSHIP	2023	2022
	Name: Property Maintenance Ninjas - James	2023	2022 + -
4	Net Profit (Loss): LINE 31	\$ 52,655.00	\$ 69,140.00
5	Deduct nonrecurring income/add nonrecurring loss or expense: LINE 6		\$ (4,500.00)
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12	Amortization/Casualty Loss (only if noted): page 2, part V		\$ 300.00
	SUBTOTAL	\$ 59,195.00	\$ 69,460.00
		/12 = \$4,933	/12 = \$5,788

Word bank:

higher

averaged

lower

disregarded

1. If the trend in the amount of income is stable or increasing, the income amount should be _____ .
2. If the trend is declining but has since stabilized and there's no reason to believe the borrower will not continue to be employed at the current level, the _____ amount of income must be used.
3. If the trend is declining, the income may not be stable. Additional analysis must be conducted to determine if any income should be used, but in no instance may it be _____ over the period when the decline occurred.