Evaluating Self-Employed Borrowers

TAX YEAR 2024

Zeroing in on Partnerships & LLCs

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Legal disclaimer

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How do you become an SEB expert?

One step at a time!
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Objectives

- Review business structures
- Convert tax entries into cash flow:
  - Partnerships
    - K-1s
    - Guaranteed payments
    - Other income
- Solve a distribution mystery
- Explore LLCs nuances
- Your questions

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

Cash flow worksheets

Fannie Mae

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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Borrower Name: _____

FreddieMac

Form 91

Income Calculations
(Schedule Analysis Method)

Form 91 is to be used to document the Seller's calculation of the income for a self-employed Borrower. This form is a tool to help the Seller calculate the income for a self-employed Borrower; the Seller's calculations must be based on the requirements and guidance for the determination of stable monthly income in Topic 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	$	$

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

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

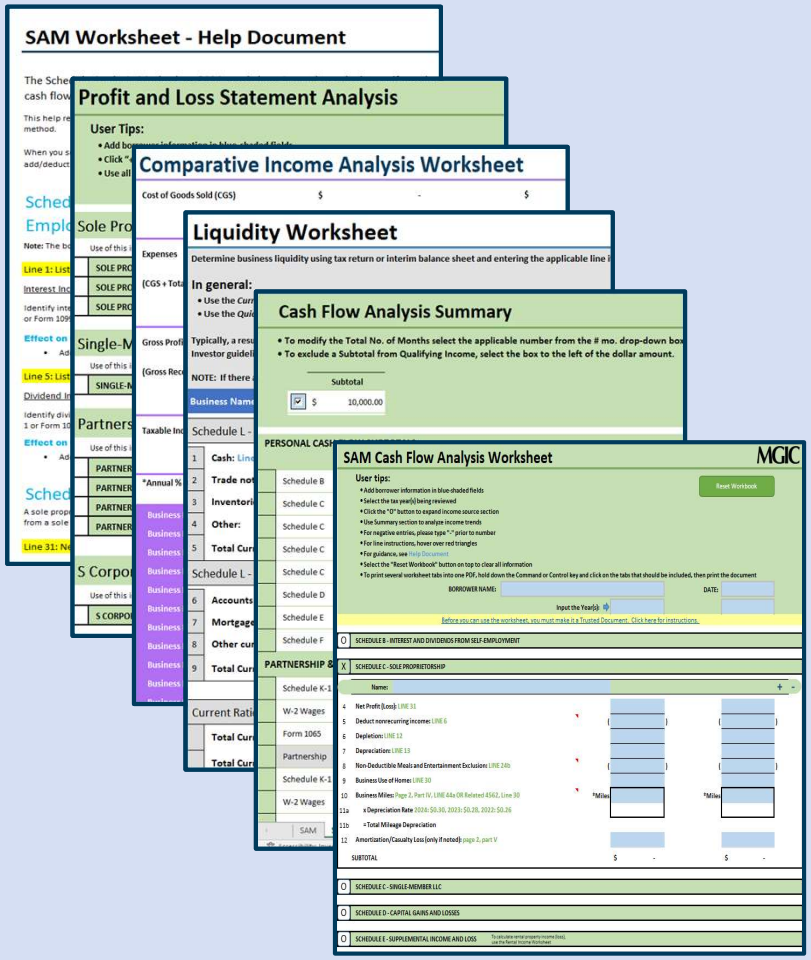
Freddie Mac *Single-Family Seller/Servicer Guide* Bulletin 2019-9
05/01/19 **Page F91-1**

All-in-one self-employed income calculator

Excel XLSM – macro-enabled

Excel XLSX – macro-free

Excel XLSX – macro-free short



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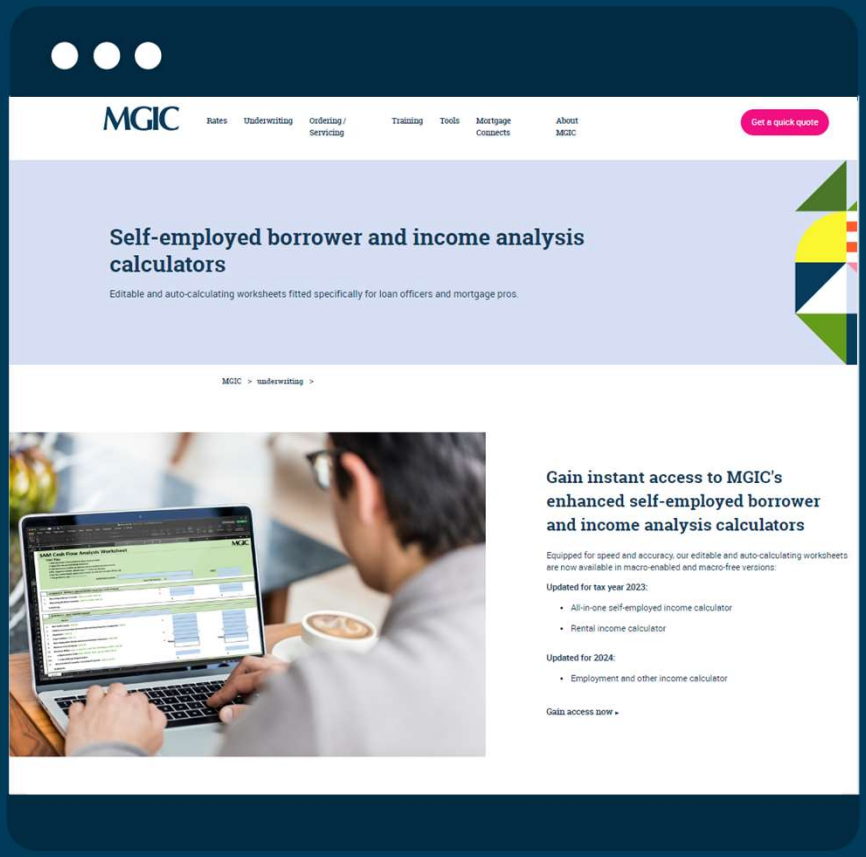

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5 business structures

Sole Proprietorship

Partnership

Limited Liability Company

S Corporation

Corporation

Infographic: Characteristics of 5 common self-employed businesses

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SEB Documentation Matrix

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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.

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Partnership

Definition

Business arrangement between 2 or more people

Liability

Operates according to a partnership agreement

General partners have unlimited liability

Taxation

Business files Form 1065

Partner's share of earnings is reported on Schedule K-1

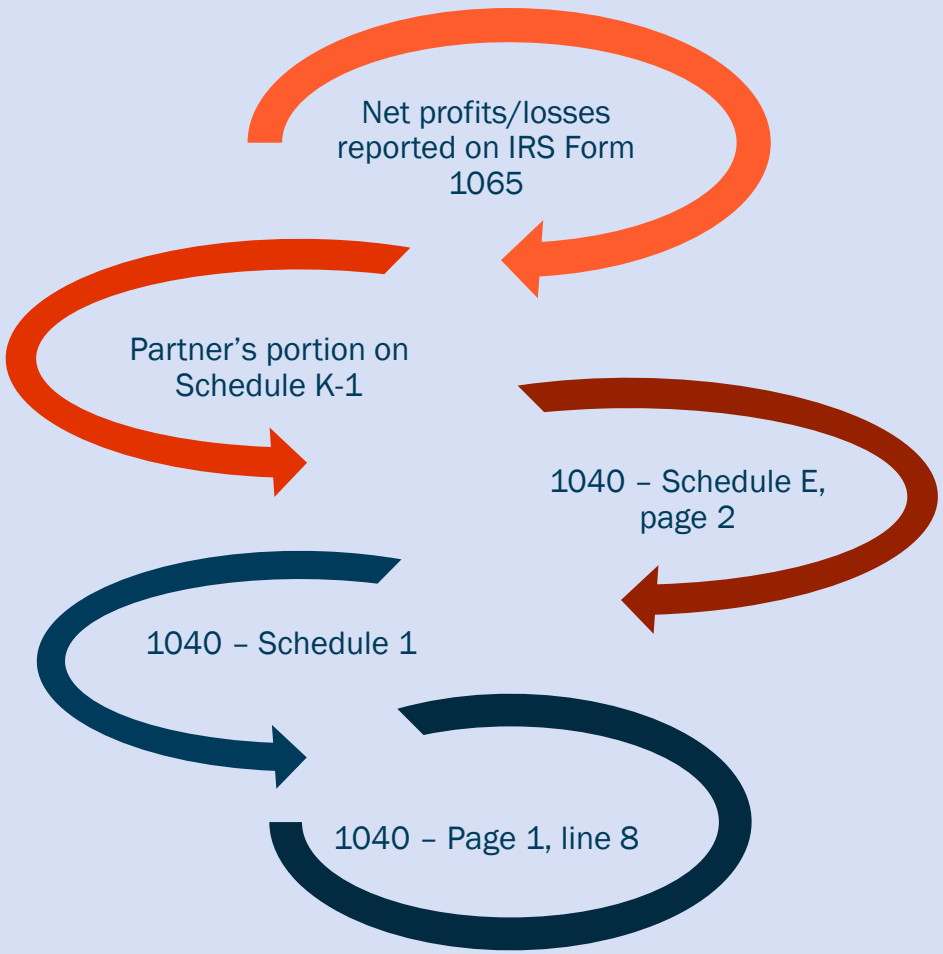
Borrower's share of income is taxed at the individual tax rate

Considerations

Generally, income is only considered if distributed OR if business has adequate liquidity

Partners are not employees but may receive guaranteed payments

Partnership income flow



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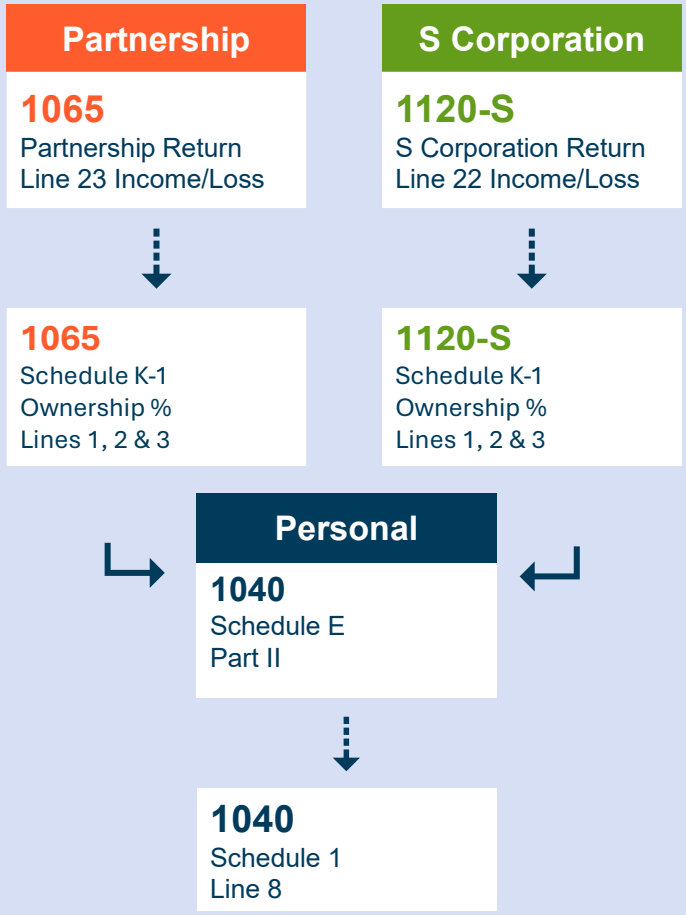
Pass-through entity



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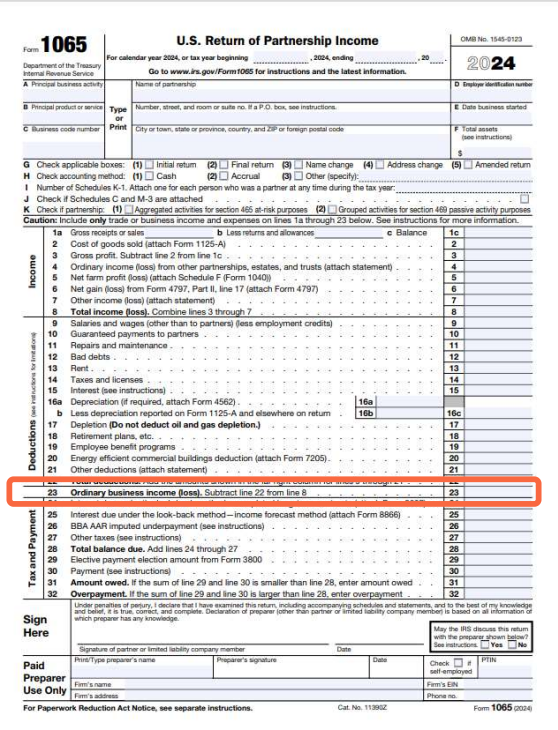
Form 1065 and Schedule K-1

Form 1065



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

U.S. Return of Partnership Income

For calendar year 2024, or tax year beginning , 2024, ending , 20

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

OMB No. 1545-0123 — 2024

A Principal business activity | Name of partnership | D Employer identification number

B Principal product or service | Type or Print | Number, street, and room or suite no. If a P.O. box, see instructions. | E Date business started

C Business code number | City or town, state or province, country, and ZIP or foreign postal code | F Total assets (see instructions) $

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

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

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

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

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

Caution: Include **only** trade or business income and expenses on lines 1a through 23 below. See instructions for more information.

Income	1a	Gross receipts or sales	
	b	Less returns and allowances	c Balance 1c
	2	Cost of goods sold (attach Form 1125-A)	2
	3	Gross profit. Subtract line 2 from line 1c	3
	4	Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)	4
	5	Net farm profit (loss) (attach Schedule F (Form 1040))	5
	6	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)	6
	7	Other income (loss) (attach statement)	7
	8	**Total income (loss).** Combine lines 3 through 7	8
Deductions (see instructions for limitations)	9	Salaries and wages (other than to partners) (less employment credits)	9
	10	Guaranteed payments to partners	10
	11	Repairs and maintenance	11
	12	Bad debts	12
	13	Rent	13
	14	Taxes and licenses	14
	15	Interest (see instructions)	15
	16a	Depreciation (if required, attach Form 4562) 16a	
	b	Less depreciation reported on Form 1125-A and elsewhere on return 16b	16c
	17	Depletion (**Do not deduct oil and gas depletion.**)	17
	18	Retirement plans, etc.	18
	19	Employee benefit programs	19
	20	Energy efficient commercial buildings deduction (attach Form 7205)	20
	21	Other deductions (attach statement)	21
	22	**Total deductions.** Add the amounts shown in the far right column for lines 9 through 21	22
	23	**Ordinary business income (loss).** Subtract line 22 from line 8	23
Tax and Payment	24	[illegible]	24
	25	Interest due under the look-back method—income forecast method (attach Form 8866)	25
	26	BBA AAR imputed underpayment (see instructions)	26
	27	Other taxes (see instructions)	27
	28	**Total balance due.** Add lines 24 through 27	28
	29	Elective payment election amount from Form 3800	29
	30	Payment (see instructions)	30
	31	**Amount owed.** If the sum of line 29 and line 30 is smaller than line 28, enter amount owed	31
	32	**Overpayment.** If the sum of line 29 and line 30 is larger than line 28, enter overpayment	32

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

Signature of partner or limited liability company member | Date | May the IRS discuss this return with the preparer shown below? See instructions ☐ Yes ☐ No

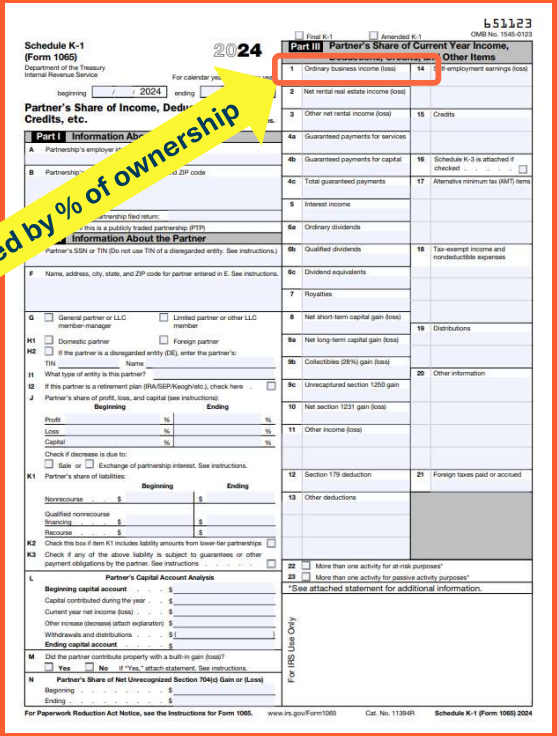
Paid Preparer Use Only — Print/Type preparer's name | Preparer's signature | Date | Check ☐ if self-employed | PTIN

Firm's name | Firm's EIN

Firm's address | Phone no.

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11390Z Form **1065** (2024)

Schedule K-1



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

2024

651123

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

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

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

Part I Information About the Partner

Part II Information About the Partner

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

22 ☐ More than one activity for at-risk purposes*

23 ☐ More than one activity for passive activity purposes*

*See attached statement for additional information.

For IRS Use Only

For Paperwork Reduction Act Notice, see the Instructions for Form 1065. www.irs.gov/Form1065 Cat. No. 11394R **Schedule K-1 (Form 1065) 2024**

Business profit multiplied by % of ownership

Schedule K-1 (Form 1065)

Business information

Owner's information & involvement

Earnings

Guaranteed payments

Distributions – Code A

Owner's % of interest = Capital at ending

Schedule K-1 (Form 1065) 2024

Internal Revenue Service

For calendar year 2024, or tax year beginning / / 2024 ending / /

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

Part I Information About the Partnership

A Partnership's employer identification number 12-3456789

B Partnership's name, address, city, state, and ZIP code Sample Business 123 Main Street

C IRS center where partnership filed return:

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.) 123-45-6789

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

G [X] General partner or LLC member-manager [ ] Limited partner or other LLC member

H1 [X] Domestic partner [ ] Foreign partner

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

I1 What type of entity is this partner? INDIVIDUAL

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

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

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

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

K1 Partner's share of liabilities:

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

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

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

L Partner's Capital Account Analysis

Beginning capital account $

Capital contributed during the year $

Current year net income (loss) $

Other increase (decrease) (attach explanation) $

Withdrawals and distributions $ ( )

Ending capital account $

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

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

Beginning $

Ending $

For Paperwork Reduction Act Notice, see the Instructions for Form 1065. www.irs.gov/Form1065 Cat. No. 11394R Schedule K-1 (Form 1065) 2024

[ ] Final K-1 [ ] Amended K-1 651123 OMB No. 1545-0123

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

1	Ordinary business income (loss) 25,000	14	Self-employment earnings (loss)
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	15	Credits
4a	Guaranteed payments for services 10,000		
4b	Guaranteed payments for capital	16	Schedule K-3 is attached if checked
4c	Total guaranteed payments	17	Alternative minimum tax (AMT) items
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends	18	Tax-exempt income and nondeductible expenses
6c	Dividend equivalents		
7	Royalties		
		19	Distributions A 25,000
		20	Other information
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)		
11			
12			
13	Other deductions		

22 [ ] More than one activity for at-risk purposes*

23 [ ] More than one activity for passive activity purposes*

*See attached statement for additional information.

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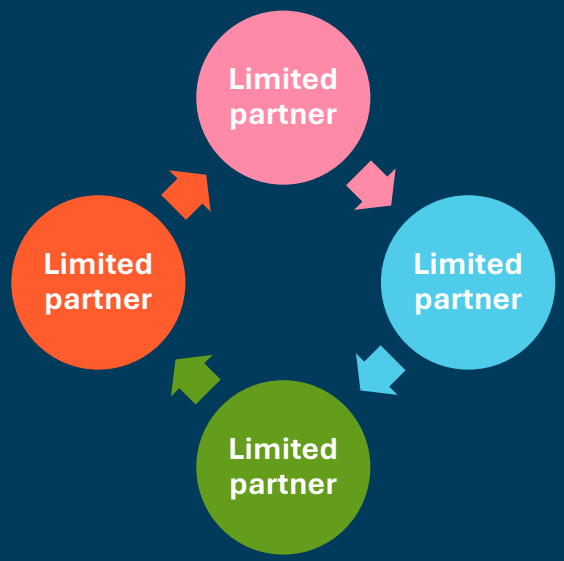
General partnership

Limited partnership

Limited liability partnerships



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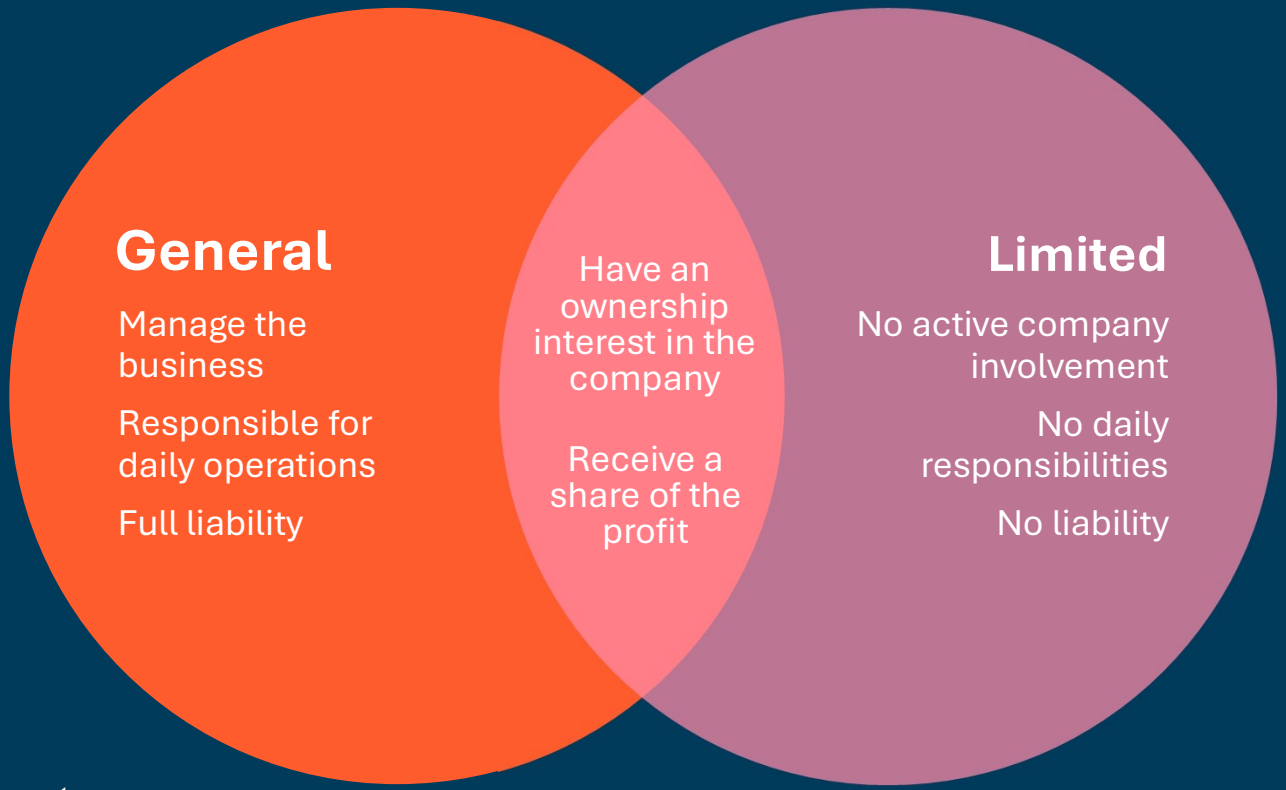
General vs. limited partner



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Ownership interest is confirmed . . . What's next?

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Income earned vs. distributions

Earnings

Owner's portion of net income earned by the business is reported as ordinary income on Schedule K-1

Income received

Distribution is when the business transfers cash or property to the owner

K-1 income can be used for qualifying if . . .

The borrower has accessed the income

OR

The business has adequate liquidity to support the withdrawal of earnings

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Partnership/S Corp K-1s: Scenario 1

IF…

- K-1s reflect a history of receiving cash distributions consistent with ordinary income

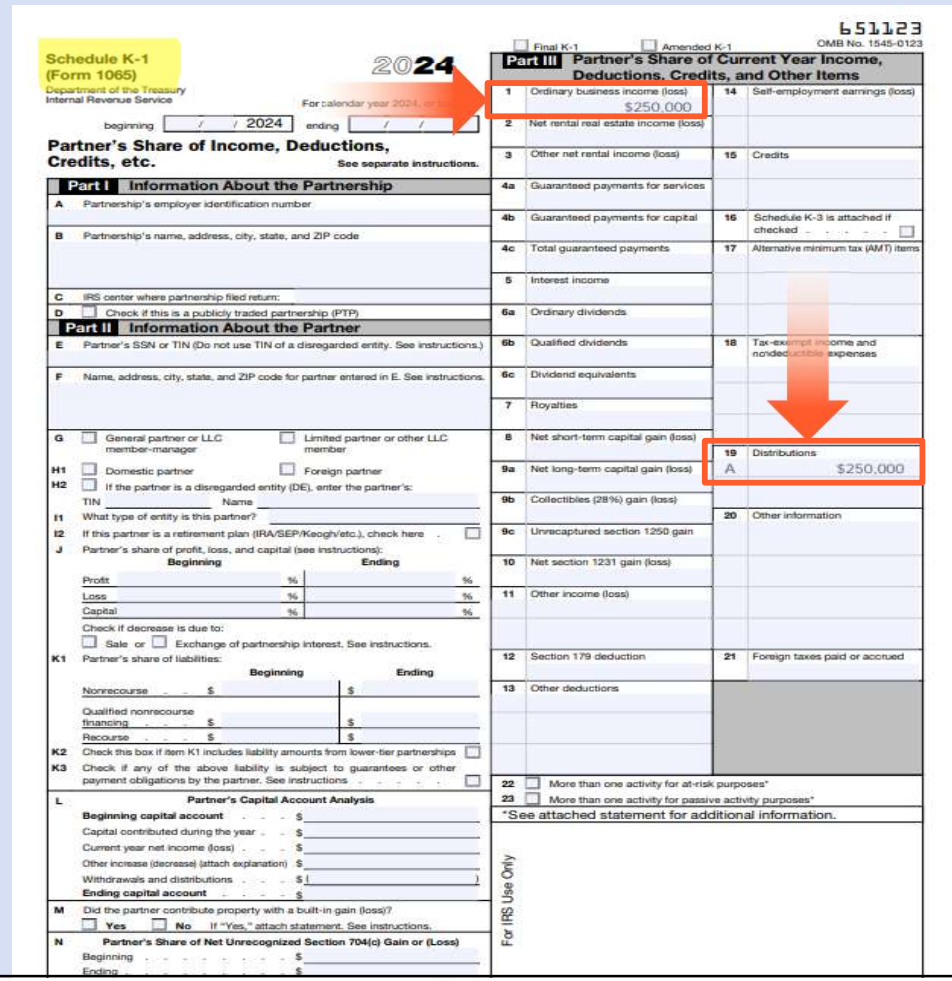
THEN…

- K-1 ordinary income may be included in borrower's cash flow

STOP…

- Nothing else is required

Sample Schedule K-1 (Form 1065)



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

2024

For calendar year 2024, or tax

beginning / / 2024 ending / /

Partner's Share of Income, Deductions, Credits, etc. See separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number

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

C IRS center where partnership filed return:

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

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)

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

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

H1 ☐ Domestic partner ☐ Foreign partner

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

I1 What type of entity is this partner?

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

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

	Beginning	Ending
Profit	%	%
Loss	%	%
Capital	%	%

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

K1 Partner's share of liabilities:

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

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

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

L **Partner's Capital Account Analysis**

Beginning capital account $
Capital contributed during the year $
Current year net income (loss) $
Other increase (decrease) (attach explanation) $
Withdrawals and distributions $ ( )
Ending capital account $

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

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

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

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

1	Ordinary business income (loss) $250,000	14	Self-employment earnings (loss)
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	15	Credits
4a	Guaranteed payments for services		
4b	Guaranteed payments for capital	16	Schedule K-3 is attached if checked ☐
4c	Total guaranteed payments	17	Alternative minimum tax (AMT) items
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends	18	Tax-exempt income and nondeductible expenses
6c	Dividend equivalents		
7	Royalties		
8	Net short-term capital gain (loss)	19	Distributions A $250,000
9a	Net long-term capital gain (loss)		
9b	Collectibles (28%) gain (loss)	20	Other information
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)		
11	Other income (loss)		
12	Section 179 deduction	21	Foreign taxes paid or accrued
13	Other deductions		

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

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Partnership/S Corp K-1s: Scenario 2

IF…

K-1s do not reflect a history of receiving:

- Cash distributions
- Cash distributions consistent with ordinary income

OPTION 1: To use total amount of ordinary income…

- Document that the business has adequate liquidity to support withdrawal of earnings

OPTION 2: Limit the amount of qualifying income…

- To the amount of income supported by a history of accessing the income (without getting additional documentation)

K-1 without distributions

651123

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

Schedule K-1 (Form 1065) 2024

Department of the Treasury Internal Revenue Service

For calendar year 2024, or tax year beginning / / 2024 ending / /

Partner's Share of Income, Deductions, Credits, etc. See separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number

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

C IRS center where partnership filed return:

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

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)

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

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

H1 ☐ Domestic partner ☐ Foreign partner

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

I1 What type of entity is this partner?

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

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

	Beginning	Ending
Profit	%	%
Loss	%	%
Capital	%	%

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

K1 Partner's share of liabilities:

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

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

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

L **Partner's Capital Account Analysis**

Beginning capital account	$
Capital contributed during the year	$
Current year net income (loss)	$
Other increase (decrease) (attach explanation)	$
Withdrawals and distributions	$ ( )
Ending capital account	$

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

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

Beginning $

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

1	Ordinary business income (loss) $85,000	14	Self-employment earnings (loss)
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	15	Credits
4a	Guaranteed payments for services		
4b	Guaranteed payments for capital	16	Schedule K-3 is attached if checked ☐
4c	Total guaranteed payments	17	Alternative minimum tax (AMT) items
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends	18	Tax-exempt income and nondeductible expenses
6c	Dividend equivalents		
7	Royalties		
8	Net short-term capital gain (loss)	19	Distributions A
9a	Net long-term capital gain (loss)		
9b	Collectibles (28%) gain (loss)	20	Other information
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)		
11	Other income (loss)		
12	Section 179 deduction	21	Foreign taxes paid or accrued
13	Other deductions		

22 ☐ More than one activity for at-risk purposes*

23 ☐ More than one activity for passive activity purposes*

*See attached statement for additional information.

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mortgage guaranty insurance corporation

K-1 without consistent distributions

Option 1: To use total amount of ordinary income, document that the business has adequate liquidity to support withdrawal of earnings

Option 2: Limit the amount of qualifying income to the amount of income supported by a history of accessing the income (without getting additional documentation)

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

2024

651123
OMB No. 1545-0123

Final K-1 Amended K-1

For calendar year 2024, or tax year beginning / / 2024 ending / /

Partner's Share of Income, Deductions, Credits, etc.
See separate instructions.

Part I Information About the Partnership

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

1 Ordinary business income (loss) $85,000

14 Self-employment earnings (loss)

3 Other net rental income (loss)

15 Credits

4a Guaranteed payments for services

16 Schedule K-3 is attached if checked

17 Alternative minimum tax (AMT) items

18 Tax-exempt income and nondeductible expenses

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

6c Dividend equivalents

7 Royalties

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

8 Net short-term capital gain (loss)

H1 Domestic partner Foreign partner

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

9a Net long-term capital gain (loss)

19 Distributions A $50,000

I1 What type of entity is this partner?

9b Collectibles (28%) gain (loss)

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

9c Unrecaptured section 1250 gain

20 Other information

21 Foreign taxes paid or accrued

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

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

22 More than one activity for at-risk purposes*

23 More than one activity for passive activity purposes*

*See attached statement for additional information.

L Partner's Capital Account Analysis

Beginning capital account $

Capital contributed during the year $

Current year net income (loss) $

Other increase (decrease) (attach explanation) $

Withdrawals and distributions $ ( )

Ending capital account $

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

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

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mortgage guaranty insurance corporation

Partnership/S Corp K-1s

- No history of distributions?
- Distributions < ordinary income

Is it by CHOICE?	Is it by DEFAULT?
• Business is solvent • Positive income trends	• Business agreement prohibits distributions • Business is insolvent – can't afford it

Who is the investor?

Fannie Mae®

Freddie Mac

MGIC

mortgage guaranty
insurance corporation

MGIC

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

Freddie Mac Single-Family | Seller/Servicer Guide | Guide Home | Seller/Servicer Relationship | Selling | Servicing | Search the Guide | View All

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5304.1 < Prev Next >

Stable monthly income and documentation requirements for self-employed Borrowers

Effective 02/07/2024

(d) Business and income analysis

The following chart contains requirements and guidance pertaining to business and income analysis:

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

Meet the borrowers
mortgage guaranty
insurance corporation
31

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

hideawaystorage.com

Hide Away Storage

Earning your business one box at a time

Locally owned & operated
Family-owned and operated since 2019.

Secure
All units are kept safe with modern security features.

Competitive
Our rates are very competitive.

Convenient
Our all-indoor, climate-controlled storage units are accessible 24/7.

Clean
Our self-storage units are well maintained.

Customer service
We are backed by best-in-self-storage customer service.

Personal 1040 Schedule E – Part II

Case study, page 40

Schedule E (Form 1040) 2024 — Attachment Sequence No. 13 — Page 2

Name(s) shown on return. Do not enter name and social security number if shown on other side.: James & Jessica Johnson

Your social security number: 000-00-0000

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

Part II Income or Loss From Partnerships and S Corporations

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

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

28	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if basis computation is required	(f) Check if any amount is not at risk
A	Hide Away Storage	P	☐	00-0000000	☐	☐
B	Equitable Property Group, LLC	P	☐	00-0000000	☐	☐
C	J & J Property Solutions	S	☐	00-0000000	☐	☐
D			☐		☐	☐

	Passive Income and Loss: (g) Passive loss allowed (attach Form 8582 if required)	(h) Passive income from Schedule K-1	Nonpassive Income and Loss: (i) Nonpassive loss allowed (see Schedule K-1)	(j) Section 179 expense deduction from Form 4562	(k) Nonpassive income from Schedule K-1
A	2,000.				10,000.
B		26,000.			
C		61,000.			
D					
29a Totals		87,000.			10,000.
b Totals	2,000.				

30	Add columns (h) and (k) of line 29a	30	97,000.
31	Add columns (g), (i), and (j) of line 29b	31	(2,000.)
32	**Total partnership and S corporation income or (loss).** Combine lines 30 and 31	32	95,000.

Part III Income or Loss From Estates and Trusts

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

	Passive Income and Loss: (c) Passive deduction or loss allowed (attach Form 8582 if required)	(d) Passive income from Schedule K-1	Nonpassive Income and Loss: (e) Deduction or loss from Schedule K-1	(f) Other income from Schedule K-1
A				
B				
34a Totals				
b Totals				

35	Add columns (d) and (f) of line 34a	35	
36	Add columns (c) and (e) of line 34b	36	( )
37	**Total estate and trust income or (loss).** Combine lines 35 and 36	37	

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

38	(a) Name	(b) Employer identification number	(c) Excess inclusion from Schedules Q, line 2c (see instructions)	(d) Taxable income (net loss) from Schedules Q, line 1b	(e) Income from Schedules Q, line 3b

39	Combine columns (d) and (e) only. Enter the result here and include in the total on line 41 below	39	

Part V Summary

40	Net farm rental income or (loss) from **Form 4835**. Also, complete line 42 below	40	
41	**Total income or (loss).** Combine lines 26, 32, 37, 39, and 40. Enter the result here and on Schedule 1 (Form 1040), line 5	41	98,600.
42	**Reconciliation of farming and fishing income.** Enter your **gross** farming and fishing income reported on Form 4835, line 7; Schedule K-1 (Form 1065), box 14, code B; Schedule K-1 (Form 1120-S), box 17, code AN; and Schedule K-1 (Form 1041), box 14, code F. See instructions	42	
43	**Reconciliation for real estate professionals.** If you were a real estate professional (see instructions), enter the net income or (loss) you reported anywhere on Form 1040, Form 1040-SR, or Form 1040-NR from all rental real estate activities in which you materially participated under the passive activity loss rules	43	

REV 01/24/25 TTW — Schedule E (Form 1040) 2024

mortgage guaranty insurance corporation

Schedule K-1 (Form 1065)

Case study, pages 42 & 43

Schedule K-1 (Form 1065) 2024

Department of the Treasury
Internal Revenue Service

For calendar year 2024, or tax year beginning ____ ending ____

651123

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

Partner's Share of Income, Deductions, Credits, etc. See separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
00-0000000

B Partnership's name, address, city, state, and ZIP code
HIDE AWAY STORAGE
42 WILLOW BLVD
JACKSON, TN 38305

C IRS center where partnership filed return:

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

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)
000-00-0000

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
JAMES JOHNSON
1750 PROSPERITY DRIVE
JACKSON, TN 38305

G [X] General partner or LLC member-manager ☐ Limited partner or other LLC member

H1 [X] Domestic partner ☐ Foreign partner

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

I1 What type of entity is this partner? INDIVIDUAL

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

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

	Beginning	Ending
Profit	25 %	25 %
Loss	25 %	25 %
Capital	25 %	25 %

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

K1 Partner's share of liabilities:

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

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

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

L **Partner's Capital Account Analysis**

Beginning capital account	$
Capital contributed during the year	$
Current year net income (loss)	$
Other increase (decrease) (attach explanation)	$
Withdrawals and distributions	$ ( )
Ending capital account	$

M Did the partner contribute property with a built-in gain (loss)?

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

1	Ordinary business income (loss) -2,000	14	Self-employment earnings (loss) -3,800
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	15	Credits
4a	Guaranteed payments for services 10,000		
4b	Guaranteed payments for capital	16	Schedule K-3 is attached if checked ☐
4c	Total guaranteed payments 10,000	17	Alternative minimum tax (AMT) items
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends	18	Tax-exempt income and nondeductible expenses
6c	Dividend equivalents	C	625
7	Royalties		STMT
8	Net short-term capital gain (loss)		
9a	Net long-term capital gain (loss)	19	Distributions A 8,000
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain	20	Other information
10	Net section 1231 gain (loss)		
11	Other income (loss)		
12	Section 179 deduction	21	Foreign taxes paid or accrued
13	Other deductions		

22 ☐ More than one activity for at-risk purposes*
23 ☐ More than one activity for passive activity purposes*

*See attached statement for additional information.

IRS Use Only

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Distributions higher than ordinary income?

1. Business made money but took advantage of write-offs
2. Taking distributions from previous year's earnings
3. Distribution of money that was not earned
4. Partnership is dissolving

mortgage guaranty
insurance corporation

SAM Cash Flow Analysis Worksheet

mgic.com/seb

SAM Cash Flow Analysis Worksheet

MGIC

X	PARTNERSHIP	Name:	2024	2023
	SCHEDULE K-1			
24	Ordinary Income (Loss): LINE 1 If > Distributions see additional requirements.			
25	Net Rental Income (Loss): LINES 2 & 3 If > Distributions see additional requirements.			
26	Guaranteed Payments: LINE 4c			
	SUBTOTAL		$ -	$ -
	FORM W-2			
27	Wages: W-2, Box 5 (in general)			
	FORM 1065			
28	Passthrough (Income) Loss from Other Partnerships: LINE 4			
29	Deduct nonrecurring income: LINES 5, 6 & 7		( )	( )
30	Depreciation: LINE 16c			
31	Depreciation (FORM 8825): LINE 14			
32	Depletion: LINE 17			
33	Amortization/Casualty Loss/Nonrecurring Loss: from statement or LINES 5,6 & 7			
34	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 16, Column d		( )	( )
35	Non-Deductible Travel and Entertainment Exclusion: Schedule M-1, LINE 4b		( )	( )
	SUBTOTAL		$ -	$ -
36	Multiplied by Ownership Percentage			
	Partner's Total Share of Income (Loss)		$ -	$ -

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

X	PARTNERSHIP Name:	2024	2023
	SCHEDULE K-1		
24	Ordinary Income (Loss): LINE 1 If > Distributions see additional requirements.		
25	Net Rental Income (Loss): LINES 2 & 3 If > Distributions see additional requirements.		
26	Guaranteed Payments: LINE 4c		
	SUBTOTAL	$ -	$ -
	FORM W-2		
27	Wages: W-2, Box 5 (in general)		
	FORM 1065		
28	Passthrough (Income) Loss from Other Partnerships: LINE 4		
29	Deduct nonrecurring income: LINES 5, 6 & 7	( )	( )
30	Depreciation: LINE 16c		
31	Depreciation (FORM 8825): LINE 14		
32	Depletion: LINE 17		
33	Amortization/ asualty Loss/Nor recurring Loss: from statement or LINES 5,6 & 7		
34	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 16, Column d	( )	( )
35	Non-Deductible Travel and Entertainment Exclusion: Schedule M-1, LINE 4b	( )	( )
	SUBTOTAL	$ -	$ -
36	Multiplied by Ownership Percentage		
	Partner's Total Share of Income (Loss)	$ -	$ -

mortgage guaranty
insurance corporation

Schedule K-1 (Form 1065) 2024

Department of the Treasury Internal Revenue Service

For calendar year 2024, or tax year beginning ____ ending ____

651123

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

Partner's Share of Income, Deductions, Credits, etc. See separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number: 00-0000000

B Partnership's name, address, city, state, and ZIP code: HIDE AWAY STORAGE, 42 WILLOW BLVD, JACKSON, TN 38305

C IRS center where partnership filed return:

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

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.): 000-00-0000

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.: JAMES JOHNSON, 1750 PROSPERITY DRIVE, JACKSON, TN 38305

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

H1 ☒ Domestic partner ☐ Foreign partner

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

I1 What type of entity is this partner? INDIVIDUAL

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

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

	Beginning	Ending
Profit	25 %	25 %
Loss	25 %	25 %
Capital	25 %	25 %

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

K1 Partner's share of liabilities:

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

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

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

L **Partner's Capital Account Analysis**

Beginning capital account	$
Capital contributed during the year	$
Current year net income (loss)	$
Other increase (decrease) (attach explanation)	$
Withdrawals and distributions	$ ( )
Ending capital account	$

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

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

Beginning $ ____

Ending $ ____

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

1	Ordinary business income (loss) -2,000	14	Self-employment earnings (loss) -3,800
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	15	Credits
4a	Guaranteed payments for services 10,000		
4b	Guaranteed payments for capital	16	Schedule K-3 is attached if checked ☐
4c	Total guaranteed payments 10,000	17	Alternative minimum tax (AMT) items
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends	18	Tax-exempt income and nondeductible expenses
6c	Dividend equivalents	C	625
7	Royalties		STMT
8	Net short-term capital gain (loss)		
9a	Net long-term capital gain (loss)	19 A	Distributions 8,000
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain	20	Other information
10	Net section 1231 gain (loss)		
11	Other income (loss)		
12	Section 179 deduction	21	Foreign taxes paid or accrued
13	Other deductions		

22 ☐ More than one activity for at-risk purposes*

23 ☐ More than one activity for passive activity purposes*

*See attached statement for additional information.

For IRS Use Only

For Paperwork Reduction Act Notice, see the Instructions for Form 1065. www.irs.gov/Form1065 Schedule K-1 (Form 1065) 2024

MGIC

Schedule K-1 (Form 1065)

SAM Cash Flow Analysis Worksheet

Partnership Cash Flow

Evaluate business income as required by your investor.

X	PARTNERSHIP	Name:	Hide Away Storage/ James	2024

SCHEDULE K-1

24	Ordinary Income (Loss): LINE 1 If > Distributions see additional requirements.	$ (2,000.00)
25	Net Rental Income (Loss): LINES 2 & 3 If > Distributions see additional requirements.	
26	Guaranteed Payments: LINE 4c	$ 10,000.00
	SUBTOTAL	$ 8,000.00

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

U.S. Return of Partnership Income

For calendar year 2024, or tax year beginning _____, 2024, ending _____, 20____.
Go to *www.irs.gov/Form1065* for instructions and the latest information.

OMB No. 1545-0123
2024

A Principal business activity
B Principal product or service
C Business code number

Type or Print

Name of partnership: HIDE AWAY STORAGE
D Employer identification number: 00-0000000
Number, street, and room or suite no. If a P.O. box, see instructions.: 42 WILLOW BLVD
E Date business started: 01/15/2019
City or town, state or province, country, and ZIP or foreign postal code: JACKSON, TN 38305
F Total assets (see instructions): $ 347,300

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

Caution: Include **only** trade or business income and expenses on lines 1a through 23 below. See instructions for more information.

Income	1a	Gross receipts or sales: 100,500	b Less cost of goods sold and allowances:	c Balance	1c: 100,500
	2	Cost of goods sold (attach Form 1125-A)			2
	3	Gross profit. Subtract line 2 from line 1c			3: 100,500
	4	Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)			4
	6	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)			6: 40,000
	8	**Total income (loss).** Combine lines 3 through 7			8: 140,500
Deductions (see instructions for limitations)	9	Salaries and wages (other than to partners) (less employment credits)			9: 55,000
	10	Guaranteed payments to partners			10: 40,000
	11	Repairs and maintenance			11
	12	Bad debts			12: 13,000
	13	Rent			13
	14	Taxes and licenses			14
	15	Interest (see instructions)			15: 1,000
	16a	Depreciation (if required, attach Form 4562)	16a: 16,000		
	b	Less depreciation reported on Form 1125-A and elsewhere on return	16b		16c: 16,000
	17	Depletion (**Do not deduct oil and gas depletion.**)			17
	18	Retirement plans, etc.			18
	19	Employee benefit programs	SEE STATEMENT		19: 21,000
	20	Energy efficient commercial buildings deduction (attach Form 7205)			20
	21	Other deductions (attach statement)			21: 2,500
	22	**Total deductions.** Add the amounts shown in the far right column for lines 9 through 21			22: 148,500
	23	**Ordinary business income (loss).** Subtract line 22 from line 8			23: -8,000
Tax and Payment	24	Interest due under the look-back method - completed long-term contracts (attach Form 8697)			24
	25	Interest due under the look-back method - income forecast method (attach Form 8866)			25
	26	BBA AAR imputed underpayment (see instructions)			26
	27	Other taxes (see instructions)			27
	28	**Total balance due.** Add lines 24 through 27			28
	29	Elective payment election amount from Form 3800			29
	30	Payment (see instructions)			30
	31	**Amount owed.** If the sum of line 29 and line 30 is smaller than line 28, enter amount owed			31
	32	**Overpayment.** If the sum of line 29 and line 30 is larger than line 28, enter overpayment			32

Sign Here

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

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

Signature of partner or limited liability company member | Date

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check [ ] if self-employed	PTIN

Firm's name: V.I.P. TAX INC. | Firm's EIN: 00-0000000
Firm's address: 3 PEACHTREE LANE JACKSON, TN 38305 | Phone no.

For Paperwork Reduction Act Notice, see separate instructions.
JSA 4P1010 1.000 Form **1065** (2024)

MGIC

SAM Cash Flow Analysis Worksheet

Partnership Cash Flow

Evaluate business income as required by your investor.

X	PARTNERSHIP	Nan Hide Away Storage/ James	2024
	SCHEDULE K-1		
24	**Ordinary Income (Loss):** LINE 1 If > Distributions see additional requirements.		$ (2,000.00)
25	**Net Rental Income (Loss):** LINES 2 & 3 If > Distributions see additional requirements.		
26	**Guaranteed Payments:** LINE 4c		$ 10,000.00
	SUBTOTAL		$ 8,000.00
	FORM W-2		
27	**Wages:** W-2, Box 5 (in general)		
	FORM 1065		
28	**Passthrough (Income) Loss from Other Partnerships:** LINE 4		
29	**Deduct nonrecurring income:** LINES 5, 6 & 7		( )
30	**Depreciation:** LINE 16c		
31	**Depreciation (FORM 8825):** LINE 14		
32	**Depletion:** LINE 17		
33	**Amortization/Casualty Loss/Nonrecurring Loss:** from statement or LINES 5,6 & 7		
34	**Mortgages or Notes Payable in Less Than 1 Year:** Schedule L, LINE 16, Column d		( )
35	**Non-Deductible Travel and Entertainment Exclusion:** Schedule M-1, LINE 4b		( )
	SUBTOTAL		$ -

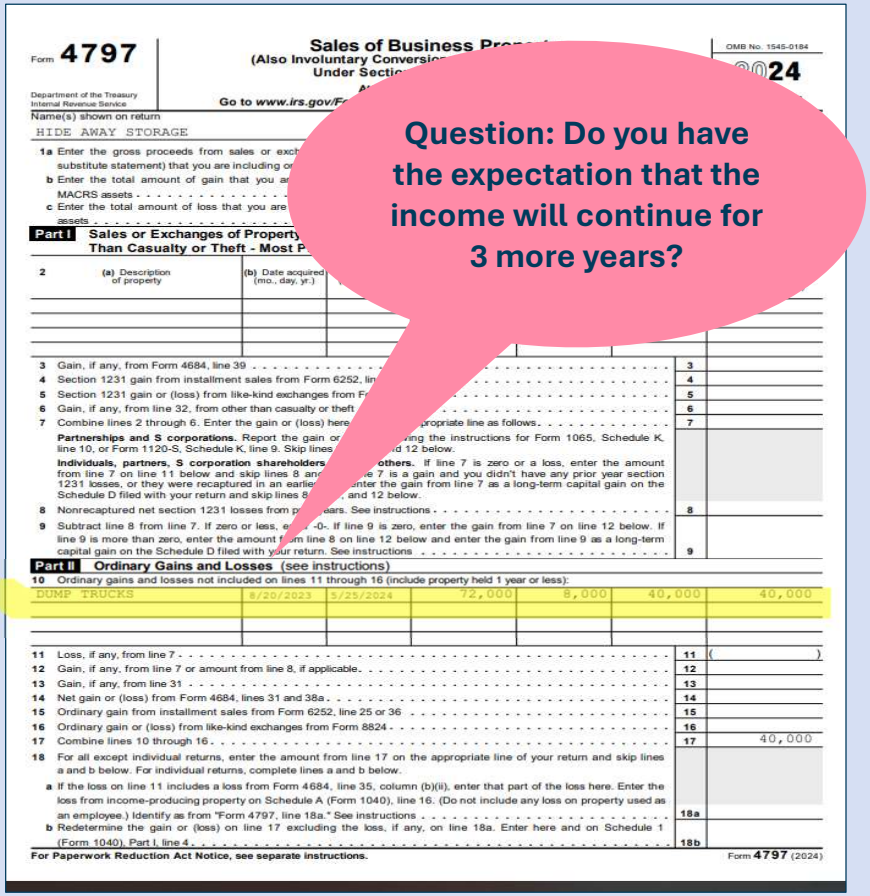
What is needed to retain other income?

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

mortgage guaranty insurance corporation

Form 4797

What is the source of the other income?


Form 4797
Department of the Treasury
Internal Revenue Service
Sales of Business Pro
(Also Involuntary Conversio
Under Sectio
Go to www.irs.gov/F
OMB No. 1545-0184
2024
Name(s) shown on return
HIDE AWAY STORAGE
1a Enter the gross proceeds from sales or exch
substitute statement) that you are including o
b Enter the total amount of gain that you a
MACRS assets
c Enter the total amount of loss that you are
assets
Part I Sales or Exchanges of Property
Than Casualty or Theft - Most P
2 (a) Description of property (b) Date acquired (mo., day, yr.)
3 Gain, if any, from Form 4684, line 39 3
4 Section 1231 gain from installment sales from Form 6252, lin 4
5 Section 1231 gain or (loss) from like-kind exchanges from F 5
6 Gain, if any, from line 32, from other than casualty or theft 6
7 Combine lines 2 through 6. Enter the gain or (loss) here propriate line as follows 7
Partnerships and S corporations. Report the gain or ing the instructions for Form 1065, Schedule K, line 10, or Form 1120-S, Schedule K, line 9. Skip lines d 12 below.
Individuals, partners, S corporation shareholders others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 an e 7 is a gain and you didn't have any prior year section 1231 losses, or they were recaptured in an earlie nter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8 , and 12 below.
8 Nonrecaptured net section 1231 losses from p ears. See instructions 8
9 Subtract line 8 from line 7. If zero or less, e -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount f m line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return. See instructions 9
Part II Ordinary Gains and Losses (see instructions)
10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):
DUMP TRUCKS 8/20/2023 5/25/2024 72,000 8,000 40,000 40,000
11 Loss, if any, from line 7 11 ( )
12 Gain, if any, from line 7 or amount from line 8, if applicable 12
13 Gain, if any, from line 31 13
14 Net gain or (loss) from Form 4684, lines 31 and 38a 14
15 Ordinary gain from installment sales from Form 6252, line 25 or 36 15
16 Ordinary gain or (loss) from like-kind exchanges from Form 8824 16
17 Combine lines 10 through 16 17 40,000
18 For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below.
a If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(ii), enter that part of the loss here. Enter the loss from income-producing property on Schedule A (Form 1040), line 16. (Do not include any loss on property used as an employee.) Identify as from "Form 4797, line 18a." See instructions 18a
b Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Schedule 1 (Form 1040), Part I, line 4 18b
For Paperwork Reduction Act Notice, see separate instructions.
Form 4797 (2024)

Question: Do you have the expectation that the income will continue for 3 more years?

mortgage guaranty
insurance corporation

Distributions higher than ordinary income?

1. Business made money but took advantage of write-offs
2. Taking distributions from previous year's earnings
3. Distribution of money that was not earned
4. Partnership is dissolving

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

U.S. Return of Partnership Income

For calendar year 2024, or tax year beginning _____, 2024, ending _____, 20____.
Go to www.irs.gov/Form1065 for instructions and the latest information.

OMB No. 1545-0123

2024

A Principal business activity

B Principal product or service

C Business code number

Type or Print

Name of partnership: HIDE AWAY STORAGE

D Employer identification number: 00-0000000

Number, street, and room or suite no. If a P.O. box, see instructions.: 42 WILLOW BLVD

E Date business started: 01/15/2019

City or town, state or province, country, and ZIP or foreign postal code: JACKSON, TN 38305

F Total assets (see instructions): $ 347,300

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

H Check accounting method: (1) [X] Cash (2) [ ] Accrual (3) [ ] Other (specify): _____

I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year: 4

J Check if Schedules C and M-3 are attached. . . . . [ ]

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

Caution: Include **only** trade or business income and expenses on lines 1a through 23 below. See instructions for more information.

Income	1a	Gross receipts or sales: 100,500 b Less returns and allowances: c Balance	1c	100,500
	2	Cost of goods sold (attach Form 1125-A)	2	
	3	Gross profit. Subtract line 2 from line 1c	3	100,500
	4	Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)	4	
	5	Net farm profit (loss) (attach Schedule F (Form 1040))	5	
	6	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)	6	40,000
	7	Other income (loss) (attach statement)	7	
	8	**Total income (loss).** Combine lines 3 through 7	8	140,500
Deductions (see instructions for limitations)	9	Salaries and wages (other than to partners) (less employment credits)	9	55,000
	10	Guaranteed payments to partners	10	40,000
	11	Repairs and maintenance	11	
	12	Bad debts	12	13,000
	13	Rent	13	
	14	Taxes and licenses	14	
	15	Interest (see instructions)	15	1,000
	16a	Depreciation (if required, attach Form 4562) 16a: 16,000		
	b	Less depreciation reported on Form 1125-A and elsewhere on return 16b	16c	16,000
	17	Depletion (**Do not deduct oil and gas depletion.**)	17	
	18	Retirement plans, etc.	18	
	19	Employee benefit programs SEE STATEMENT	19	21,000
	20	Energy efficient commercial buildings deduction (attach Form 7205)	20	
	21	Other deductions (attach statement)	21	2,500
	22	**Total deductions.** Add the amounts shown in the far right column for lines 9 through 21	22	148,500
	23	**Ordinary business income (loss).** Subtract line 22 from line 8	23	-8,000
Tax and Payment	24	Interest due under the look-back method - completed long-term contracts (attach Form 8697)	24	
	25	Interest due under the look-back method - income forecast method (attach Form 8866)	25	
	26	BBA AAR imputed underpayment (see instructions)	26	
	27	Other taxes (see instructions)	27	
	28	**Total balance due.** Add lines 24 through 27	28	
	29	Elective payment election amount from Form 3800	29	
	30	Payment (see instructions)	30	
	31	**Amount owed.** If the sum of line 29 and line 30 is smaller than line 28, enter amount owed	31	
	32	**Overpayment.** If the sum of line 29 and line 30 is larger than line 28, enter overpayment	32	

Sign Here

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

Signature of partner or limited liability company member _____ Date _____

May the IRS discuss this return with the preparer shown below? See instructions: [ ] Yes [ ] No

Paid Preparer Use Only

Print/Type preparer's name | Preparer's signature | Date | Check [ ] if self-employed | PTIN

Firm's name: V.I.P. TAX INC. | Firm's EIN: 00-0000000

Firm's address: 3 PEACHTREE LANE JACKSON, TN 38305 | Phone no.

For Paperwork Reduction Act Notice, see separate instructions. Form **1065** (2024)

JSA 4P1010 1.000

SAM Cash Flow Analysis Worksheet

Partnership Cash Flow

Evaluate business income as required by your investor.

X	PARTNERSHIP	Nan Hide Away Storage/ James	2024
	SCHEDULE K-1		
24	**Ordinary Income (Loss):** LINE 1 If > Distributions see additional requirements.		$ (2,000.00)
25	**Net Rental Income (Loss):** LINES 2 & 3 If > Distributions see additional requirements.		
26	**Guaranteed Payments:** LINE 4c		$ 10,000.00
	SUBTOTAL		$ 8,000.00
	FORM W-2		
27	**Wages:** W-2, Box 5 (in general)		
	FORM 1065		
28	**Passthrough (Income) Loss from Other Partnerships:** LINE 4		
29	**Deduct nonrecurring income:** LINES 5, 6 & 7		($ 40,000.00)
30	**Depreciation:** LINE 16c		
31	**Depreciation (FORM 8825):** LINE 14		
32	**Depletion:** LINE 17		
33	**Amortization/Casualty Loss/Nonrecurring Loss:** from statement or LINES 5,6 & 7		
34	**Mortgages or Notes Payable in Less Than 1 Year:** Schedule L, LINE 16, Column d		( )
35	**Non-Deductible Travel and Entertainment Exclusion:** Schedule M-1, LINE 4b		( )
	SUBTOTAL		$ (40,000.00)
36	**Multiplied by Ownership Percentage**		25.00%
	Partner's Total Share of Income (Loss)		$ (10,000.00)

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

U.S. Return of Partnership Income

For calendar year 2024, or tax year beginning _____, 2024, ending _____, 20____.
Go to www.irs.gov/Form1065 for instructions and the latest information.

OMB No. 1545-0123
2024

A Principal business activity
B Principal product or service
Type
Name of partnership: HIDE AWAY STORAGE
D Employer identification number: 00-0000000
Number, street, and room or suite no. If a P.O. box, see instructions.
E Date business started

Form 1065, Page 1 Detail
==========

Line 21 - Other deductions

Meals and entertainment	2,500
Total	2,500

Deductions	12	Bad debts	12	13,000
	13	Rent	13	
	14	Taxes and licenses	14	
	15	Interest (see instructions)	15	1,000
	16a	Depreciation (if required, attach Form 4562) — 16a: 16,000		
	b	Less depreciation reported on Form 1125-A and elsewhere on return — 16b	16c	16,000
	17	Depletion (Do not deduct oil and gas depletion.)	17	
	18	Retirement plans, etc.	18	
	19	Employee benefit programs . . . . SEE STATEMENT	19	21,000
	20	Energy efficient commercial buildings deduction (attach Form 7205)	20	
	21	Other deductions (attach statement)	21	2,500
	22	**Total deductions.** Add the amounts shown in the far right column for lines 9 through 21	22	148,500
	23	**Ordinary business income (loss).** Subtract line 22 from line 8	23	-8,000
Tax and Payment	24	Interest due under the look-back method - completed long-term contracts (attach Form 8697)	24	
	25	Interest due under the look-back method - income forecast method (attach Form 8866)	25	
	26	BBA AAR imputed underpayment (see instructions)	26	
	27	Other taxes (see instructions)	27	
	28	**Total balance due.** Add lines 24 through 27	28	
	29	Elective payment election amount from Form 3800	29	
	30	Payment (see instructions)	30	
	31	**Amount owed.** If the sum of line 29 and line 30 is smaller than line 28, enter amount owed	31	
	32	**Overpayment.** If the sum of line 29 and line 30 is larger than line 28, enter overpayment	32	

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

Paid Preparer Use Only
Print/Type preparer's name | Preparer's signature | Date | Check ☐ if self-employed | PTIN
Firm's name: V.I.P. TAX INC. — Firm's EIN: 00-0000000
Firm's address: 3 PEACHTREE LANE, JACKSON, TN 38305 — Phone no.

For Paperwork Reduction Act Notice, see separate instructions. Form **1065** (2024)
JSA 4P1510 1.000

SAM Cash Flow Analysis Worksheet

Partnership Cash Flow

Evaluate business income as required by your investor.

X	PARTNERSHIP	Nan Hide Away Storage/ James	2024
	SCHEDULE K-1		
24	Ordinary Income (Loss): LINE 1 If > Distributions see additional requirements.		$ (2,000.00)
25	Net Rental Income (Loss): LINES 2 & 3 If > Distributions see additional requirements.		
26	Guaranteed Payments: LINE 4c		$ 10,000.00
	SUBTOTAL		$ 8,000.00
	FORM W-2		
27	Wages: W-2, Box 5 (in general)		
	FORM 1065		
28	Passthrough (Income) Loss from Other Partnerships: LINE 4		
29	Deduct nonrecurring income: LINES 5, 6 & 7		($ 40,000.00)
30	Depreciation: LINE 16c		$ 16,000.00
31	Depreciation (FORM 8825): LINE 14		
32	Depletion: LINE 17		
33	Amortization/Casualty Loss/Nonrecurring Loss: from statement or LINES 5,6 & 7		
34	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 16, Column d		( )
35	Non-Deductible Travel and Entertainment Exclusion: Schedule M-1, LINE 4b		( )
	SUBTOTAL		$ (24,000.00)
36	Multiplied by Ownership Percentage		25.00%
	Partner's Total Share of Income (Loss)		$ (6,000.00)

Form 1065, Schedule L

Form 1065 (2024) Page 6

Analysis of Net Income (Loss) per Return

1	Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13e, and 21	1 32,000

2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other
a General partners						
b Limited partners						

Schedule L Balance Sheets per Books

Assets	Beginning of tax year (a)	(b)	End of tax year (c)	(d)
1 Cash		7,500		NONE
2a Trade notes and accounts receivable	60,000		67,500	
b Less allowance for bad debts	16,000	44,000	8,000	59,500
3 Inventories				
4 U.S. Government obligations				
5 Tax-exempt securities				
6 Other current assets (attach statement)				
7a Loans to partners (or persons related to partners)				
b Mortgage and real estate loans		31,000		21,000
8 Other investments (attach statement)				
9a Buildings and other depreciable assets	395,000		408,000	
b Less accumulated depreciation	131,200	263,800	141,200	266,800
10a Depletable assets				
b Less accumulated depletion				
11 Land (net of any amortization)				
12a Intangible assets (amortizable only)				
b Less accumulated amortization				
13 Other assets (attach statement)				
14 Total assets		346,300		347,300
Liabilities and Capital				
15 Accounts payable				
16 Mortgages, notes, bonds payable in less than 1 year				
17 Other current liabilities (attach statement)				
18 All nonrecourse loans				
19a Loans from partners (or persons related to partners)				
b Mortgages, notes, bonds payable in 1 year or more		123,460		117,460
20 Other liabilities (attach statement)				
21 Partners' capital accounts		206,500		202,000
22 Total liabilities and capital		346,300		347,300

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

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

1 Net income (loss) per books	-44,500	6 Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize): a Tax-exempt interest $	
2 Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize):		7 Deductions included on Schedule K, lines 1 through 13e, and 21, not charged against book income this year (itemize): a Depreciation $ 6,000	
3 Guaranteed payments (other than health insurance)	40,000		
4 Expenses recorded on books this year not included on Schedule K, lines 1 through 13e, and 21 (itemize): a Depreciation $			6,000
b Travel and entertainment $ 2,500	2,500	8 Add lines 6 and 7	6,000
5 Add lines 1 through 4	-2,000	9 Income (loss) (Analysis of Net Income (Loss) per Return, line 1). Subtract line 8 from line 5	-8,000

Schedule M-2 Analysis of Partners' Capital Accounts

1 Balance at beginning of year	206,500	6 Distributions: a Cash	
2 Capital contributed: a Cash	40,000	b Property	
b Property		7 Other decreases (itemize):	
3 Net income (loss) (see instructions)	-44,500		
4 Other increases (itemize):		8 Add lines 6 and 7	
5 Add lines 1 through 4	202,000	9 Balance at end of year. Subtract line 8 from line 5	202,000

JSA 4P1035 1.000 Form **1065** (2024)

SAM Cash Flow Analysis Worksheet

Partnership Cash Flow

Evaluate business income as required by your investor.

X	PARTNERSHIP	Nan Hide Away Storage/ James	2024
	SCHEDULE K-1		
24	Ordinary Income (Loss): LINE 1 If > Distributions see additional requirements.		$ (2,000.00)
25	Net Rental Income (Loss): LINES 2 & 3 If > Distributions see additional requirements.		
26	Guaranteed Payments: LINE 4c		$ 10,000.00
	SUBTOTAL		$ 8,000.00
	FORM W-2		
27	Wages: W-2, Box 5 (in general)		
	FORM 1065		
28	Passthrough (Income) Loss from Other Partnerships: LINE 4		
29	Deduct nonrecurring income: LINES 5, 6 & 7		($ 40,000.00)
30	Depreciation: LINE 16c		$ 16,000.00
31	Depreciation (FORM 8825): LINE 14		
32	Depletion: LINE 17		
33	Amortization/Casualty Loss/Nonrecurring Loss: from statement or LINES 5,6 & 7		
34	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 16, Column d		( )
35	Non-Deductible Travel and Entertainment Exclusion: Schedule M-1, LINE 4b		($ 2,500.00)
	SUBTOTAL		$ (26,500.00)
36	Multiplied by Ownership Percentage		25.00%
	Partner's Total Share of Income (Loss)		$ (6,625.00)

Effect on cash flow analysis

X	PARTNERSHIP Nan Hide Away Storage/ James	2024	2023
	SCHEDULE K-1		
24	Ordinary Income (Loss): LINE 1 If > Distributions see additional requirements.	$ (2,000.00)	$ (10,200.00)
25	Net Rental Income (Loss): LINES 2 & 3 If > Distributions see additional requirements.		
26	Guaranteed Payments: LINE 4c	$ 10,000.00	$ 7,800.00
	SUBTOTAL	$ 8,000.00	$ (2,400.00)
	FORM W-2		
27	Wages: W-2, Box 5 (in general)		
	FORM 1065		
28	Passthrough (Income) Loss from Other Partnerships: LINE 4		
29	Deduct nonrecurring income: LINES 5, 6 & 7	($ 40,000.00)	( )
30	Depreciation: LINE 16c	$ 16,000.00	$ 15,400.00
31	Depreciation (FORM 8825): LINE 14		
32	Depletion: LINE 17		
33	Amortization/Casualty Loss/Nonrecurring Loss: from statement or LINES 5,6 & 7		
34	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 16, Column d	( )	( )
35	Non-Deductible Travel and Entertainment Exclusion: Schedule M-1, LINE 4b	($ 2,500.00)	($ 2,300.00)
	SUBTOTAL	$ (26,500.00)	$ 13,100.00
36	Multiplied by Ownership Percentage	25.00%	25.00%
	Partner's Total Share of Income (Loss)	$ (6,625.00)	$ 3,275.00

PARTNERSHIP & S CORPORATION CASH FLOW SUBTOTALS:

Schedule K-1 Hide Away Storage/ James	☐	$ 8,000.00	12	☐	$ (2,400.00)	12	$ 233.33	24
W-2 Wages Hide Away Storage/ James	☐	$ -	12	☐	$ -	12	$ -	24
Form 1065 Hide Away Storage/ James	☐	$ (6,625.00)	12	☐	$ 3,275.00	12	$ (139.58)	24

Final determination of qualifying income

Cash Flow Analysis Summary

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

	Subtotal
√	$ 10,000.00

PARTNERSHIP & S CORPORATION CASH FLOW SUBTOTALS:

	Schedule K-1 Hide Away Storage/ James		$ 8,000.00	12		$ (2,400.00)	12	$ 233.33	24
	W-2 Wages Hide Away Storage/ James		$ -	12		$ -	12	$ -	24
	Form 1065 Hide Away Storage/ James		$ (6,625.00)	12		$ 3,275.00	12	$ (139.58)	24
	Partnership Hide Away Storage/ James Subtotal		$ 1,375.00			$ 875.00		$ 93.75	

Limited Liability Company (LLC)

Definition

A hybrid business structure designed to offer members/owners tax efficiencies of a partnership and the limited liability of a corporation

Liability

LLC operating agreement outlines specific division of power among members/owners

Generally, they have limited liability

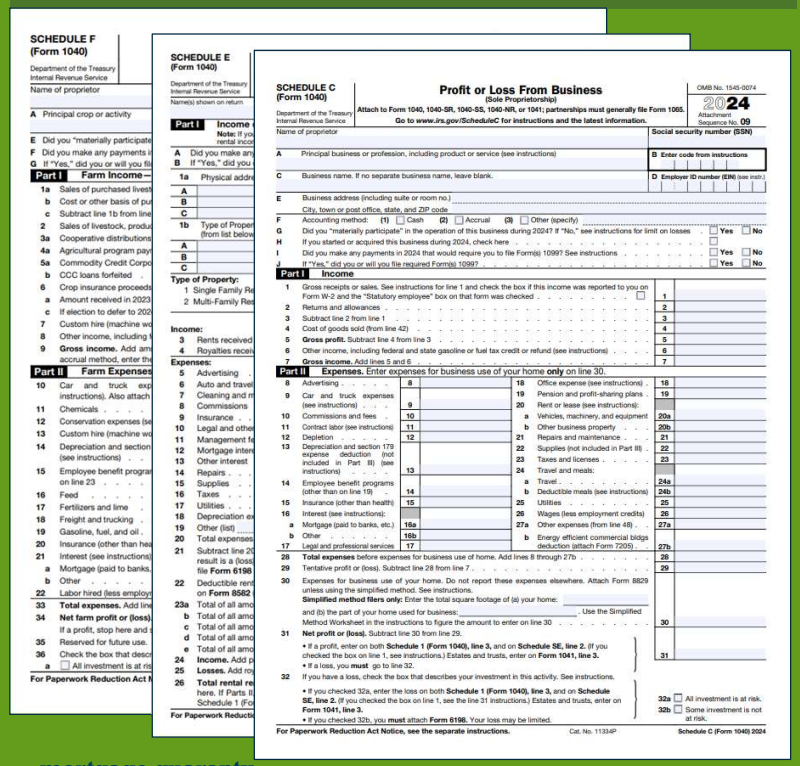
Taxation

Owner reports income on Schedule C, 1065 or 1120-S, depending on their formation

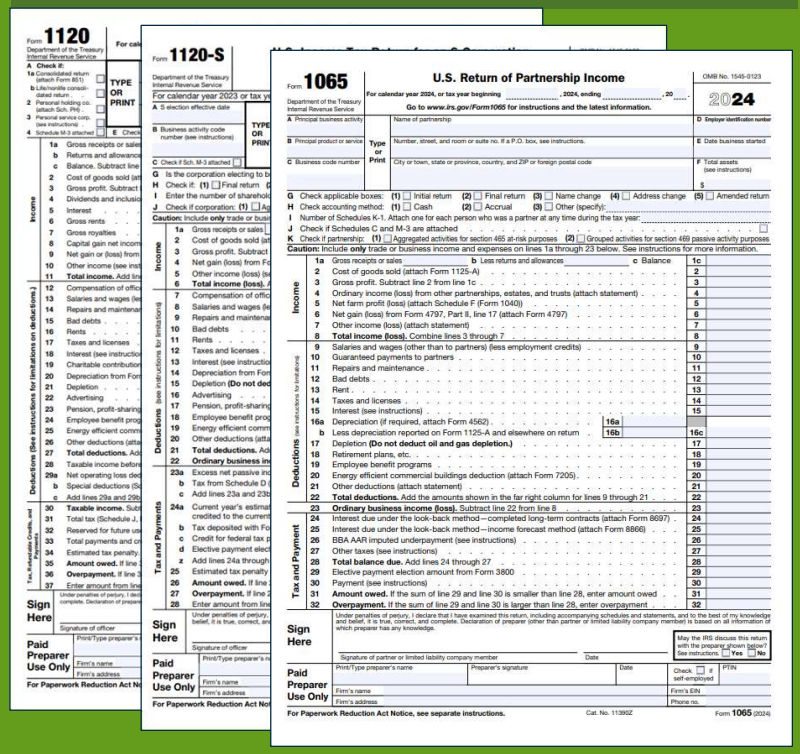
Owner is taxed at the individual tax rate

LLC borrows tax forms

A single-member LLC

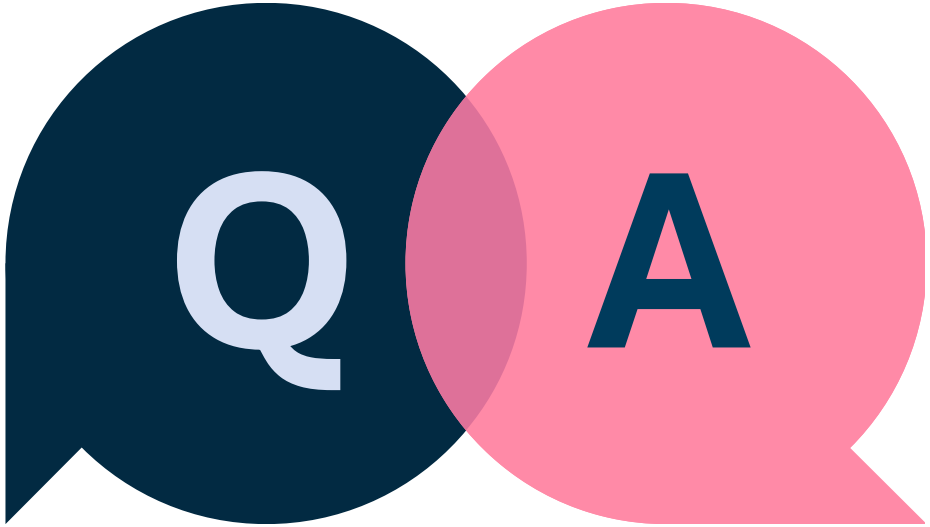


A multi-member LLC



mortgage guaranty insurance corporation

MGIC



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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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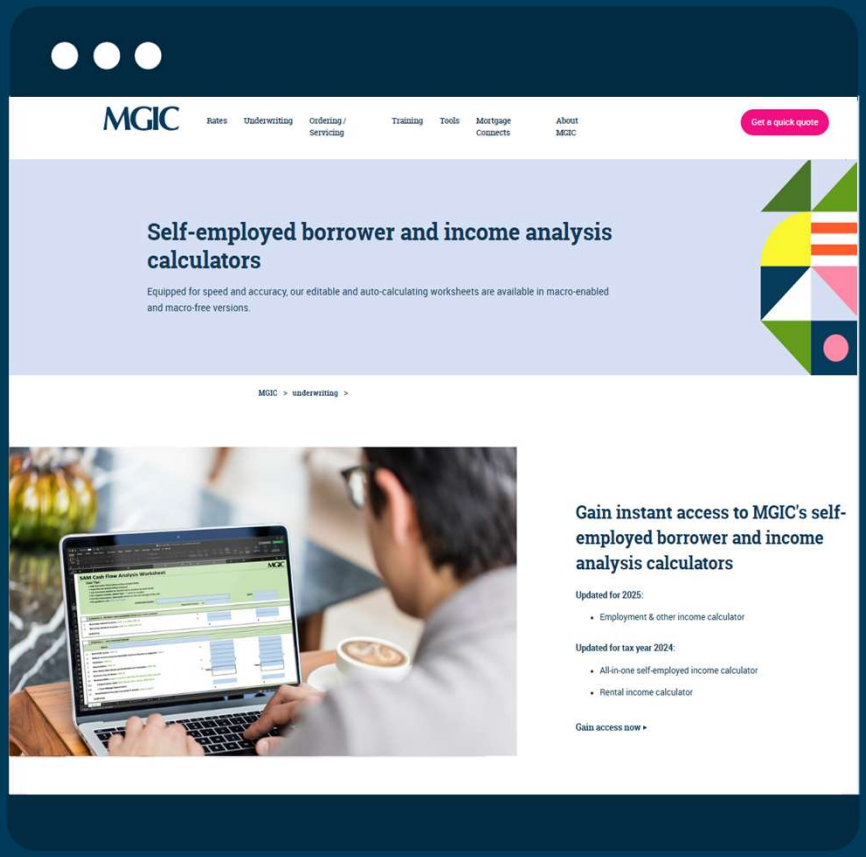

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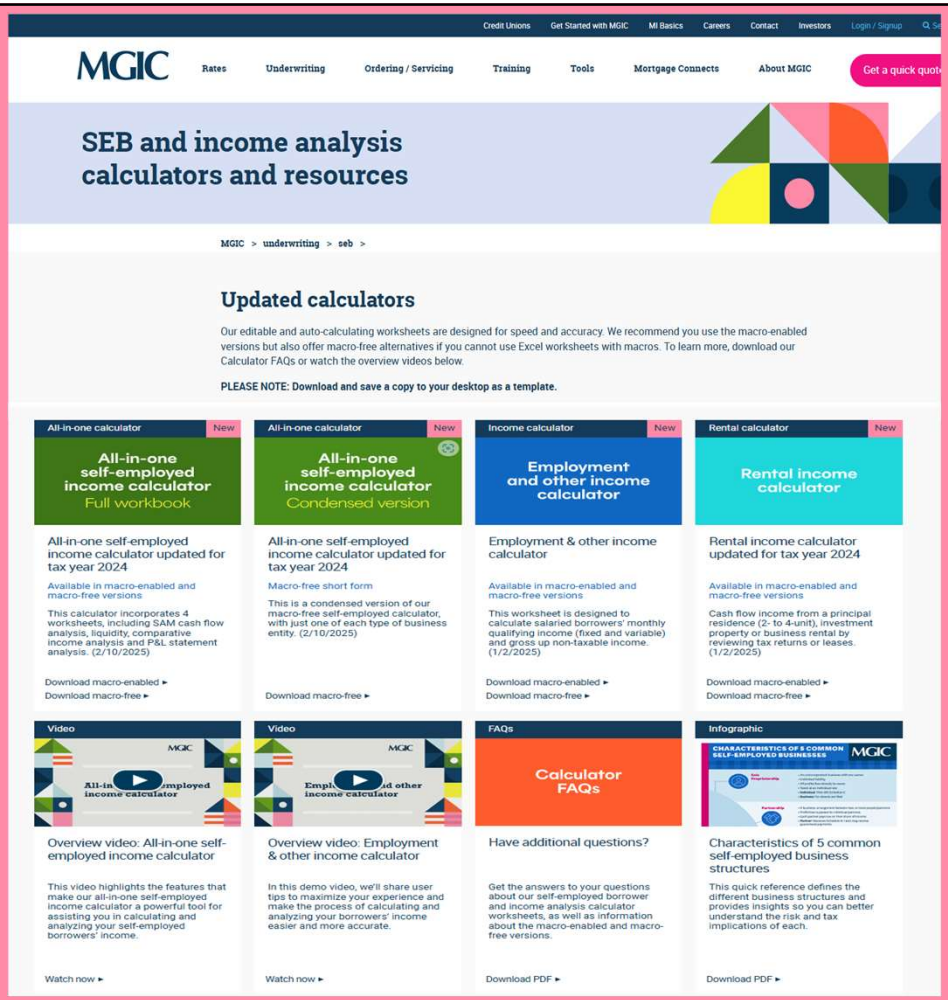
MGIC worksheets



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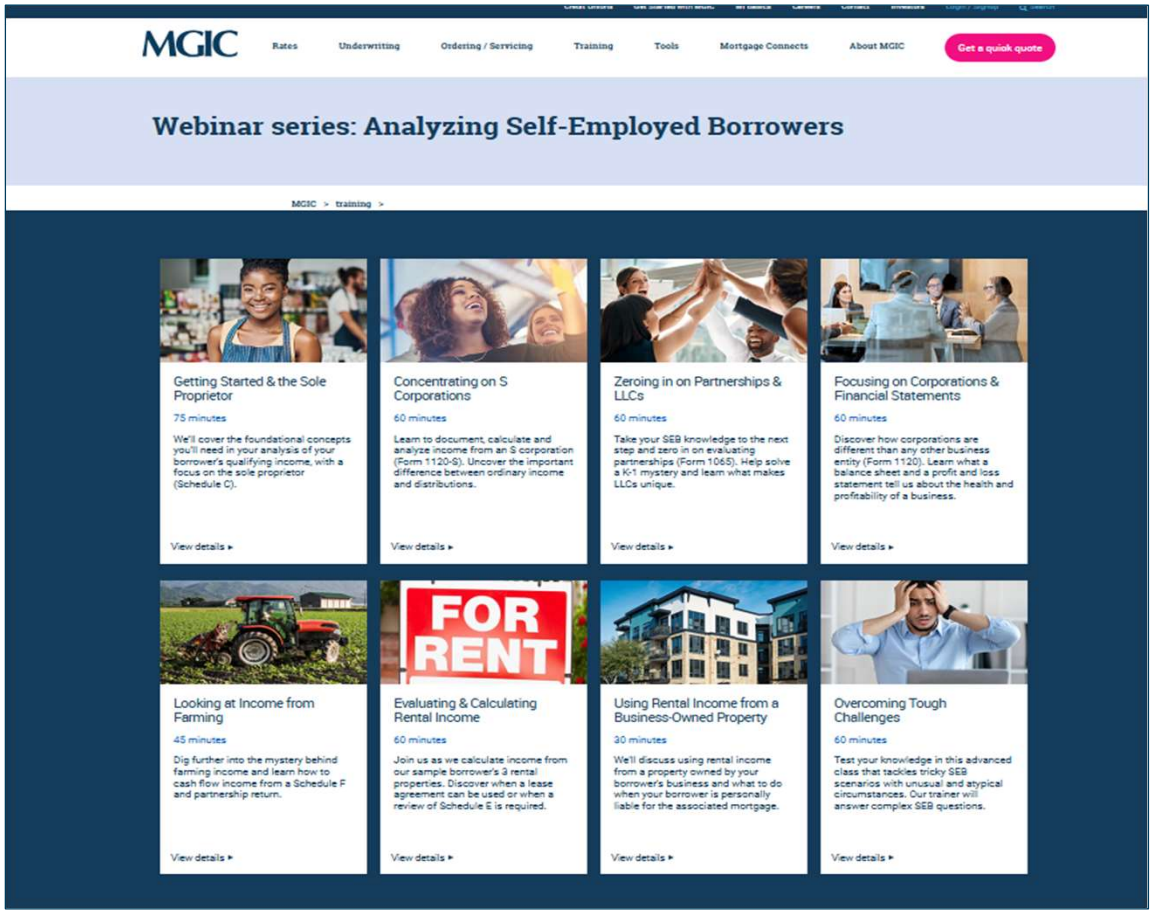

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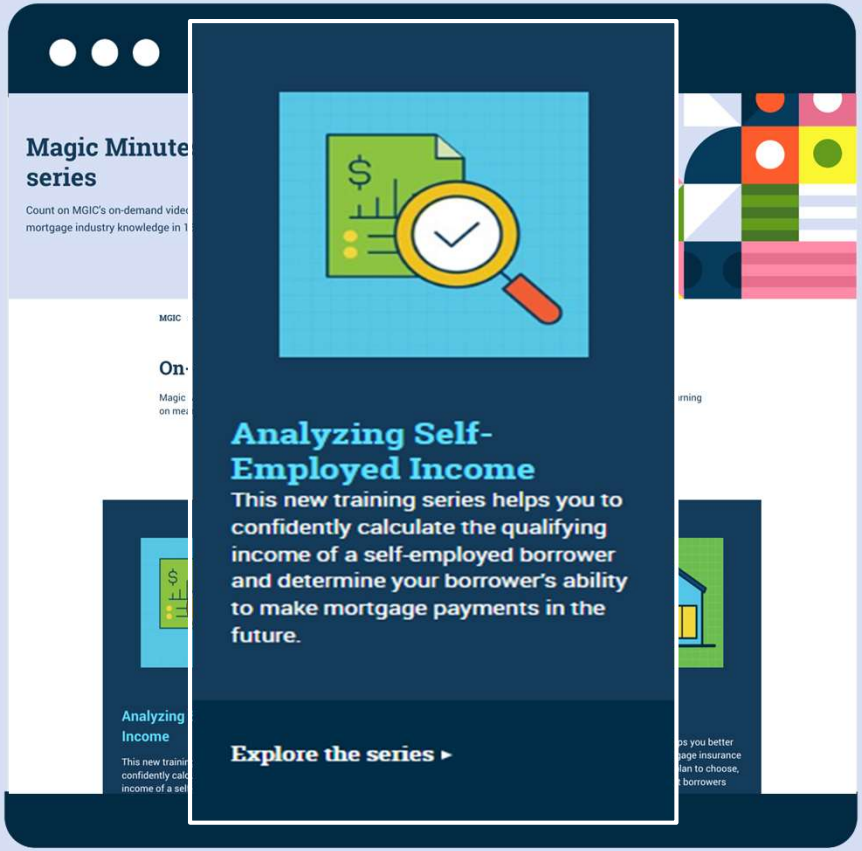

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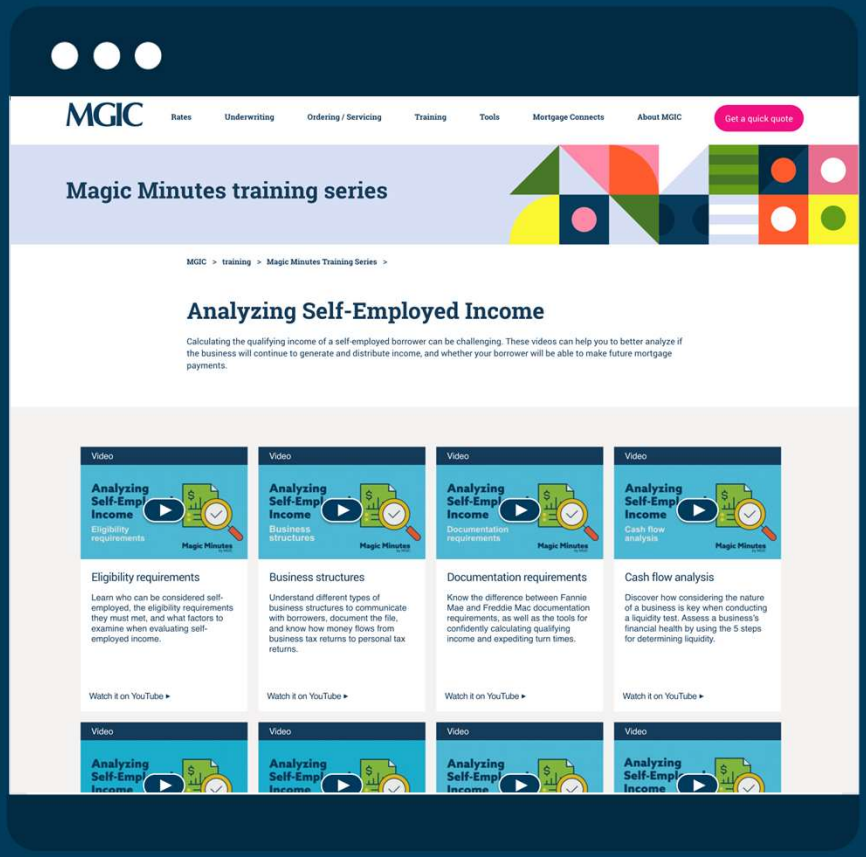
insurance corporation



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