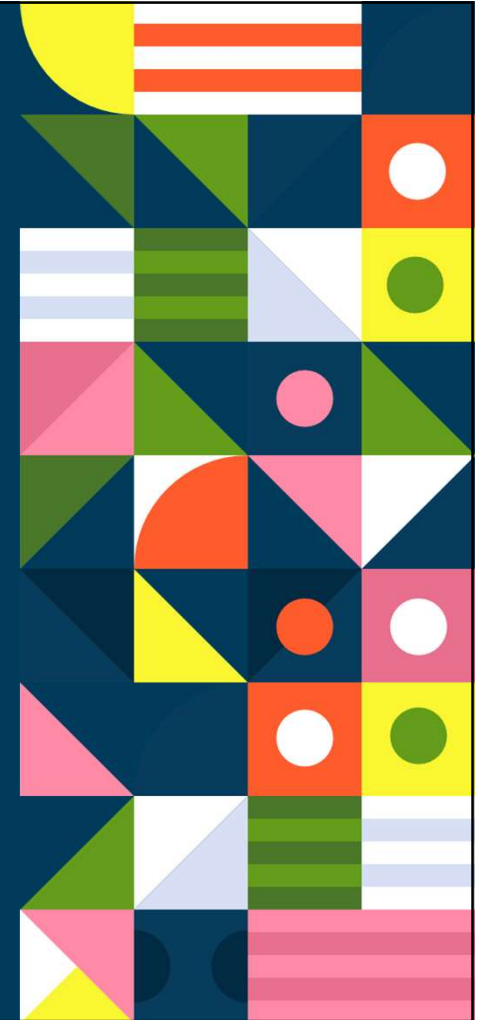


# Evaluating Self-Employed Borrowers **TAX YEAR 2024**

Concentrating on S Corporations

**MGIC**

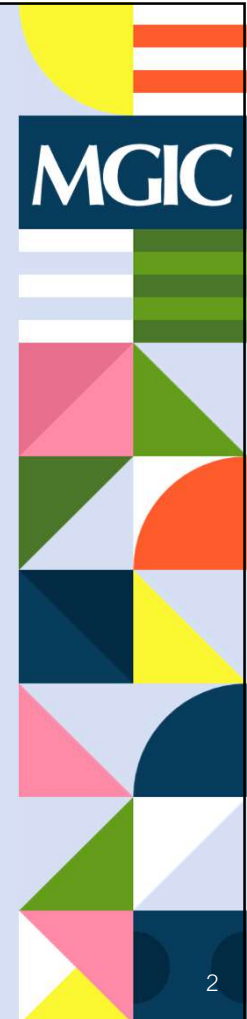


## Legal disclaimer

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Although MGIC believes the information set forth in this publication is generally accurate, the information may be outdated due to the rapidly changing nature of the residential mortgage industry, and MGIC does not warrant the accuracy, reliability or completeness of any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

The information in this publication is culled from a variety of business and mortgage industry sources. Attribution is given where deemed necessary. Opinions and insights expressed herein do not necessarily represent the views of MGIC.



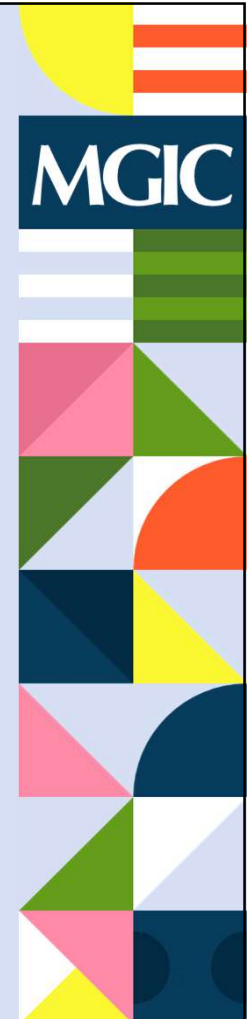
# How do you become an SEB expert?

# One step at a time!



# Objectives

- Review business structures
- Convert tax entries into cash flow:
  - S Corporation
    - K-1s
    - Mortgages due in less than a year
    - Other income from a partnership
- Determining business liquidity
- 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 _____
<b>1. W-2 Income from Self-Employment</b>	(+) _____	(+) _____
<b>2. Schedule B – Interest and Ordinary Dividends</b>		
a. Interest Income from Self-Employment	(+) _____	(+) _____
b. Dividends from Self-Employment	(+) _____	(+) _____
<b>3. Schedule C – Profit or Loss from Business: Sole Proprietorship</b>		
a. Net Profit or (Loss)	(+/-) _____	(+/-) _____
b. Nonrecurring Other (Income) Loss/Expenses	(+/-) _____	(+/-) _____
c. Depreciation	(+) _____	(+) _____
d. Depreciation	(+) _____	(+) _____
e. Non-deductible Travel and Meals Expenses	(-) _____	(-) _____
f. Business Use of Home	(+) _____	(+) _____
g. Amortization/Casualty Loss	(+) _____	(+) _____
<b>4. Schedule D – Capital Gains and Losses</b>		
a. Recurring Capital Gains	(+) _____	(+) _____
<b>5. Schedule E – Supplemental Income and Loss</b>		
<b>Note:</b> A lender may use Fannie Mae Rental Income Worksheets (Form 1037 or Form 1038) to calculate individual rental income (loss) reported on Schedule E.		
a. Royalties Received	(+) _____	(+) _____
b. Total Expenses	(-) _____	(-) _____
c. Depreciation	(+) _____	(+) _____
<b>6. Schedule F – Profit or Loss from Farming</b>		
a. Net Farm Profit or (Loss)	(+/-) _____	(+/-) _____
b. Non-Tax Portion Ongoing Coop and CCC Payments	(+) _____	(+) _____
c. Nonrecurring Other (Income) Loss	(+/-) _____	(+/-) _____
d. Depreciation	(+) _____	(+) _____
e. Amortization/Casualty Loss/Depletion	(+) _____	(+) _____
f. Business Use of Home	(+) _____	(+) _____

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

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Borrower Name: \_\_\_\_\_

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

Form 91 is to be used to document the Seller's calculation of the income for a self-employed Borrower. This form is a tool to help the Seller calculate the income for a self-employed Borrower, the Seller's calculations must be based on the requirements and guidance for the determination of stable monthly income in Topic 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: _____
<b>1. W-2 Income from self-employment (reported on IRS Forms 1040 and 1120 or 1120S)</b>		
Name of business: _____		
IRS Form 1040, W-2 Income – Officer Compensation (Section 5304.1(d)) <sup>1</sup>	(+) _____	(+) _____
<b>Subtotal of W-2 income from self-employment</b>	\$ _____	\$ _____
<sup>1</sup> Validate with business returns and IRS Form 1125-E, Compensation of Officers, as applicable		
<b>2. Schedule B – Interest and Ordinary Dividends</b>		
Recurring interest income (Chapter 5305)	(+) _____	(+) _____
Recurring dividend income (Chapter 5305)	(+) _____	(+) _____
Dividend income from self-employment reported on IRS Form 1120	(-) _____	(-) _____
<b>Subtotal of dividends and interest</b>	\$ _____	\$ _____

Freddie Mac Single-Family Seller/Service Guide  
05/01/19

Bulletin 2019-9  
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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insurance corporation**

**SAM Worksheet - Help Document**

The Schedule C cash flow worksheet is a comprehensive tool for analyzing the cash flow of a self-employed business. This help document provides instructions on how to use the worksheet effectively.

When you save the worksheet, the following information is saved:

- Add to the list of businesses to be analyzed.
- Click the "Save" button.
- Use all the information entered.

**Schedule C - Sole Proprietorship**

Note: The business owner must be a U.S. citizen or resident alien.

**Line 1: Line 1: Sole Proprietorship**

Use of this worksheet: Sole Proprietorship

Interest Income: Sole Proprietorship

Identify the business owner's name and the business name on Form 1099.

**Effect on:**

- Add to the list of businesses to be analyzed.
- Use of this worksheet: Sole Proprietorship

**Line 5: Line 5: Single-Member LLC**

Use of this worksheet: Single-Member LLC

Dividend Income: Single-Member LLC

Identify the business owner's name and the business name on Form 1099.

**Effect on:**

- Add to the list of businesses to be analyzed.
- Use of this worksheet: Single-Member LLC

**Schedule C - Partnerships**

Use of this worksheet: Partnerships

A sole proprietorship from a sole proprietorship.

**Line 31: Line 31: Partnerships**

Use of this worksheet: Partnerships

**Profit and Loss Statement Analysis**

**User Tips:**

- Add to the list of businesses to be analyzed.
- Click the "Save" button.
- Use all the information entered.

**Comparative Income Analysis Worksheet**

Cost of Goods Sold (COGS) \$ - \$

**Liquidity Worksheet**

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

**In general:**

- Use the Current Ratio.
- Use the Quick Ratio.

Typically, a ratio of 1.0 or greater is considered good.

NOTE: If there is a ratio of 1.0 or greater, the business is considered to have good liquidity.

Business Name:  Subtotal: \$ 10,000.00

**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

**SAM Cash Flow Analysis Worksheet**

**User tips:**

- Add borrower information in blue-shaded fields.
- Select the tax year(s) being reviewed.
- Click the "10" 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 Worksheet" button on top to clear all information.
- To print several worksheets into one PDF, hold down the Command or Control key and click on the tabs that should be included, then print the document.

Before you can use the worksheets, you must make it a Trusted Document. Click here for instructions.

Input the Year(s):  DATE:

**BORROWER NAME:**

**SCHEDULE B - INTEREST AND DIVIDENDS FROM SELF-EMPLOYMENT**

**SCHEDULE C - SOLE PROPRIETORSHIP**

Names:

4. Net Profit (Loss) LINE 31

5. Deduct non-recurring income (LINE 6)

6. Depreciation (LINE 13)

7. Depreciation (LINE 14)

8. Non-Deductible Meals and Entertainment Exclusions (LINE 20)

9. Business Use of Home (LINE 30)

10. Business Miles (Page 2, Part IV, LINE 44a OR Revised 4562, Line 30)

11a. x Depreciation Rate 2018: \$0.35, 2019: \$0.35, 2020: \$0.35

11b. x Total Mileage Depreciation

12. Amortization (Casualty Loss (only if noted) page 1, part IV)

SUBTOTAL \$ - \$ -

**SCHEDULE C - SINGLE MEMBER LLC**

**SCHEDULE D - CAPITAL GAINS AND LOSSES**

**SCHEDULE E - SUPPLEMENTAL INCOME AND LOSSES**

To view other worksheets, please click on the tabs at the bottom of the worksheet.



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## Self-employed borrower and income analysis calculators

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

MGIC > underwriting >

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

Updated for 2025:

- Employment & other income calculator

Updated for tax year 2024:

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

Gain access now •

## 5 business structures



**Sole  
Proprietorship**



**Partnership**



**Limited Liability  
Company**



**S Corporation**



**Corporation**

# Infographic: Characteristics of 5 common self-employed businesses

mortgage guaranty  
insurance corporation

## CHARACTERISTICS OF 5 COMMON SELF-EMPLOYED BUSINESSES

**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](https://mgic.com/training/seb)

71-43866 2/23

\*Fannie Mae Selling Guide, December 2022

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

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

71-13665 1/23



# S Corporation

## Definition

A legal entity that has a limited number of stockholders

## Liability

Stockholders are not personally liable for the debts of the corporation

## Taxation

Business files Form 1120-S

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

Earnings will be reported regardless of whether income was distributed

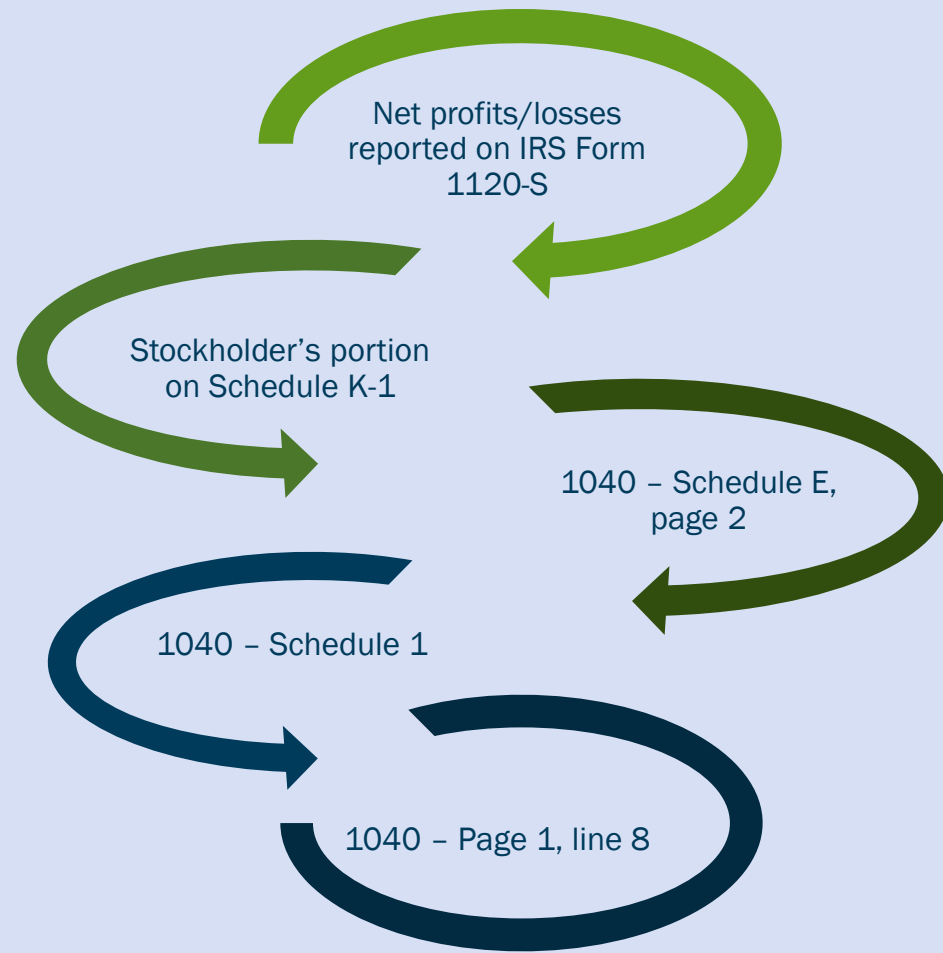
## Considerations

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

Stockholders are considered employees of the business and can receive W-2 wages

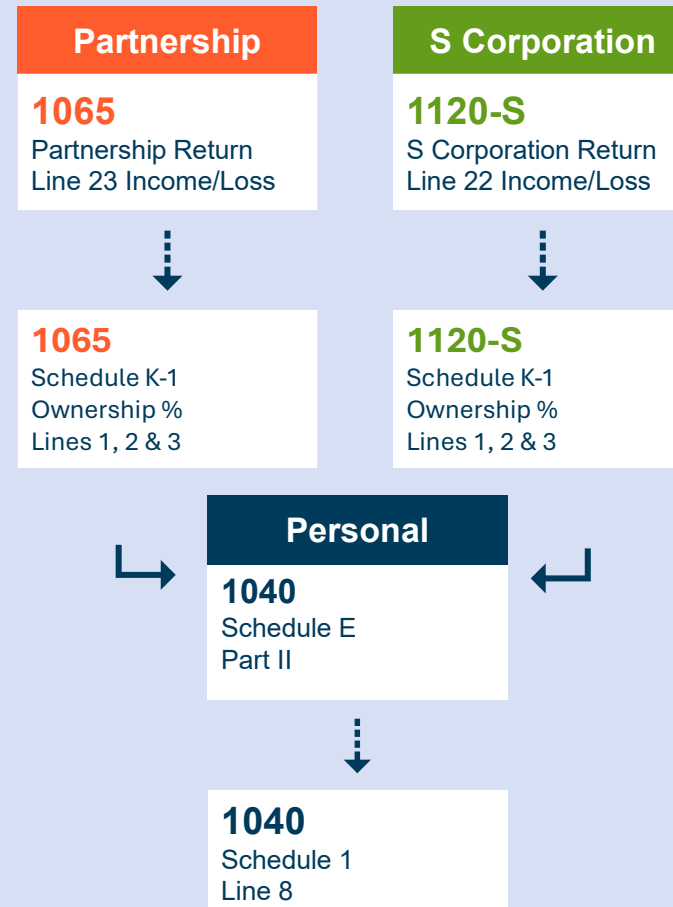


## S corporation income flow



# Pass-through entity

mortgage guaranty  
insurance corporation



# Form 1120-S and Schedule K-1

## Form 1120-S

## Schedule K-1

**Form 1120-S** U.S. Income Tax Return for an S Corporation OMB No. 1545-0023

Do not file this form unless the corporation has filed or is attaching Form 990 to elect to be an S corporation. Go to [www.irs.gov/Form1120S](https://www.irs.gov/Form1120S) for instructions and the latest information.

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

**A** Selection effective date: ☐ 2024

**B** Employer identification number: \_\_\_\_\_

**C** Business activity code: \_\_\_\_\_

**D** Name: \_\_\_\_\_

**E** Date incorporated: \_\_\_\_\_

**F** Total assets (see instructions): \_\_\_\_\_

**G** Check if Sec. 1361 attached: ☐

**H** Is the corporation electing to be an S corporation beginning with this tax year? See instructions. ☐ Yes ☐ No

**I** Check if: (a) ☐ Final return (b) ☐ Name change (c) ☐ Address change (d) ☐ Amended return (e) ☐ S election termination

**J** Enter the number of shareholders who were shareholders during any part of the tax year: \_\_\_\_\_

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

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

**Income**

**1a** Gross receipts or sales: \_\_\_\_\_

**2** Cost of goods sold (attach Form 1125-A): \_\_\_\_\_

**3** Gross profit. Subtract line 2 from line 1a: \_\_\_\_\_

**4** Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797): \_\_\_\_\_

**5** Other income (loss) (see instructions—attach statement): \_\_\_\_\_

**6** Total income (loss). Add lines 3 through 5: \_\_\_\_\_

**7** Compensation of officers (see instructions—attach Form 1125-E): \_\_\_\_\_

**8** Salaries and wages (less employment credits): \_\_\_\_\_

**9** Repairs and maintenance: \_\_\_\_\_

**10** Bad debts: \_\_\_\_\_

**11** Rents: \_\_\_\_\_

**12** Taxes and licenses: \_\_\_\_\_

**13** Interest (see instructions): \_\_\_\_\_

**14** Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562): \_\_\_\_\_

**15** Depletion (do not deduct oil and gas depletion): \_\_\_\_\_

**16** Advertising: \_\_\_\_\_

**17** Pension, profit-sharing, etc., plans: \_\_\_\_\_

**18** Employee benefit programs: \_\_\_\_\_

**19** Energy efficient commercial buildings deduction (attach Form 7205): \_\_\_\_\_

**20** Other deductions (attach statement): \_\_\_\_\_

**21** Total deductions. Subtract line 20 from line 6: \_\_\_\_\_

**22** Ordinary business income (loss). Subtract line 21 from line 6: \_\_\_\_\_

**Tax and Payments**

**a** Tax from Schedule D (Form 1120-S): \_\_\_\_\_

**c** Add lines 23a and 23b (see instructions for additional taxes): \_\_\_\_\_

**24a** Current year's estimated tax payments and preceding year's overpayment credited to the current year: \_\_\_\_\_

**b** Tax deposited with Form 7004: \_\_\_\_\_

**c** Credit for federal tax paid on sale (attach Form 4136): \_\_\_\_\_

**d** Elective payment election amount from Form 3800: \_\_\_\_\_

**z** Add lines 24a through 24d: \_\_\_\_\_

**25** Estimated tax penalty (see instructions). Check if Form 2220 is attached: ☐

**26** Amount owed. If line 24z is smaller than the total of lines 23c and 25, enter amount owed: \_\_\_\_\_

**27** Overpayment. If line 24z is larger than the total of lines 23c and 25, enter amount overpaid: \_\_\_\_\_

**28** Enter amount from line 27: **Credited to 2025 estimated tax** **Refunded** \_\_\_\_\_

**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 taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer: \_\_\_\_\_ Date: \_\_\_\_\_ Title: \_\_\_\_\_

Signature of preparer: \_\_\_\_\_ Date: \_\_\_\_\_

Print/type preparer's name: \_\_\_\_\_

Preparer's address: \_\_\_\_\_

Preparer's EIN: \_\_\_\_\_

Phone no.: \_\_\_\_\_

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11510H Form 1120-S (2024)

**Schedule K-1** (Form 1120-S) 2024 OMB No. 1545-0023

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

**Part III Shareholder's Share of Current Year Income, Deductions, Credits, etc.**

**1** Ordinary business income (loss): \_\_\_\_\_

**2** Net rental real estate income (loss): \_\_\_\_\_

**3** Other net rental income (loss): \_\_\_\_\_

**4** Interest income: \_\_\_\_\_

**5a** Ordinary dividends: \_\_\_\_\_

**5b** Qualified dividends: \_\_\_\_\_

**6** Royalties: \_\_\_\_\_

**7** Net short-term capital gain (loss): \_\_\_\_\_

**8a** Net long-term capital gain (loss): \_\_\_\_\_

**8b** Collectibles (28%) gain (loss): \_\_\_\_\_

**8c** Unrecaptured section 1250 gain: \_\_\_\_\_

**9** Net section 1231 gain (loss): \_\_\_\_\_

**10** Other income (loss): \_\_\_\_\_

**11** Section 179 deduction: \_\_\_\_\_

**12** Other deductions: \_\_\_\_\_

**13** TIN: \_\_\_\_\_

**14** What type of entity is this shareholder? \_\_\_\_\_

**15** Current year allocation percentage: \_\_\_\_\_%

**16** Shareholder's number of shares: \_\_\_\_\_

**17** Loans from shareholder: \_\_\_\_\_

**18** More than one activity for at-risk purposes? ☐

**19** More than one activity for passive activity purposes? ☐

\* See attached statement for additional information.

For Paperwork Reduction Act Notice, see the Instructions for Form 1120-S. [www.irs.gov/Form1120S](https://www.irs.gov/Form1120S) Cat. No. 115200 Schedule K-1 (Form 1120-S) 2024

Business profit multiplied by % of ownership



# Schedule K-1 (Form 1120-S)

Business information

Owner's information & involvement

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

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

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

**Part I Information About the Corporation**

A Corporation's employer identification number 12-3456789

B Corporation's name, address, city, state, and ZIP code  
Sample Business  
123 Corporate Ave

C IRS Center where corporation filed return

D Corporation's total number of shares:  
Beginning of tax year  
End of tax year

**Part II Information About the Shareholder**

E Shareholder's identifying number 123-45-6789

F1 Shareholder's name, address, city, state, and ZIP code  
Sample Borrower  
Anywhere Rd

F2 If the shareholder is a disregarded entity, a trust, an estate, or a nominee or similar person, enter the individual or entity responsible for reporting:  
TIN Name

F3 What type of entity is this shareholder?

G Current year allocation percentage 50 %

H Shareholder's number of shares:  
Beginning of tax year  
End of tax year

I Loans from shareholder:  
Beginning of tax year \$  
End of tax year \$

**Part III Shareholder's Share of Current Year Income, Deductions, Credits, etc.**

1 Ordinary business income (loss) \$52,000

2 Net rental real estate income (loss)

3 Other net rental income (loss)

4 Interest income

5a Ordinary dividends

5b Qualified dividends

6 Royalties

7 Net short-term capital gain (loss)

8a Net long-term capital gain (loss)

8b Collectibles (28%) gain (loss)

9 Items affecting shareholder basis \$30,000

10 Schedule K-3 is attached if checked

11 Alternative minimum tax (AMT) items

12 Other information

13 More than one activity for at-risk purposes\*

14 More than one activity for passive activity purposes\*

\* See attached statement for additional information.

Earnings

Distributions –  
Code D

Owner's % of interest



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

## 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 . . .**

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**The borrower has  
accessed the income**

**OR**

**The business has  
adequate liquidity to  
support the withdrawal  
of earnings**



## Partnership/S Corp K-1s: **Scenario 1**

IF...

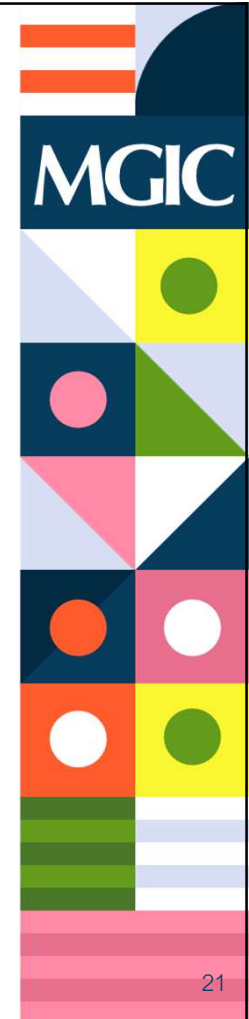
- K-1s reflect a history of receiving cash distributions consistent with ordinary income

THEN...

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

STOP...

- Nothing else is required



**mortgage guaranty  
insurance corporation**

[illegible]

## Partnership/S Corp K-1s: **Scenario 2**

IF...

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

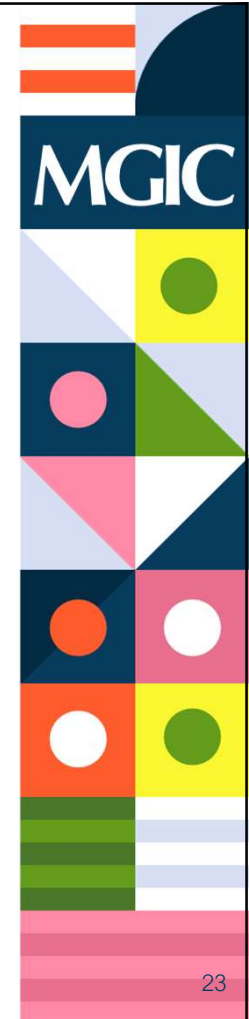
- Cash distributions
- Cash distributions consistent with ordinary income

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

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

For calendar year **2024**

beginning  /  / **2024** ending  /  /

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

**Part I Information About the Corporation**

**A** Corporation's employer identification number  
12-3456789

**B** Corporation's name, address, city, state, and ZIP code  
Sample Business  
123 Corporate Ave

**C** IRS Center where corporation filed return

**D** Corporation's total number of shares  
Beginning of tax year   
End of tax year

**Part II Information About the Shareholder**

**E** Shareholder's identifying number  
123-45-6789

**F1** Shareholder's name, address, city, state, and ZIP code  
Sample Borrower  
Anywhere Rd

**F2** If the shareholder is a disregarded entity, a trust, an estate, or a nominee or similar person, enter the individual or entity responsible for reporting:  
TIN  Name

**F3** What type of entity is this shareholder?

**G** Current year allocation percentage  50 %

**H** Shareholder's number of shares  
Beginning of tax year   
End of tax year

**I** Loans from shareholder  
Beginning of tax year  \$  
End of tax year  \$

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

**1** Ordinary business income (loss) **\$85,000**

**3** Other net rental income (loss)

**4** Interest income

**5a** Ordinary dividends

**5b** Qualified dividends

**6** Royalties

**7** Net short-term capital gain (loss)

**8a** Net long-term capital gain (loss)

**8b** Collectibles (28%) gain (loss)

**8c** Unrecaptured section 1250 gain

**9** Net section 1231 gain (loss)

**10** Other income (loss)

**11** Section 179 deduction

**12** Other deductions

**13** Credits

**14** Schedule K-3 is attached if checked ☐

**15** Alternative minimum tax (AMT) items

**16** Items affecting shareholder basis  
**D**

**17** Other information

**18** ☐ More than one activity for at-risk purposes\*

**19** ☐ 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 1120-S. www.irs.gov/Form1120S Cat. No. 115200 Schedule K-1 (Form 1120-S) 2024

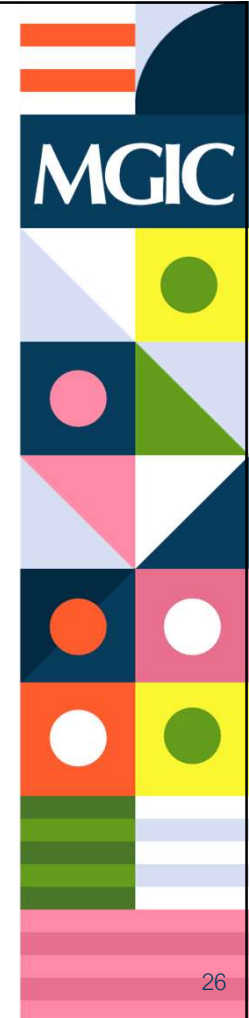
**mortgage guaranty  
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**Option 2: Limit the amount of qualifying income**  
to the amount of income supported by a history of  
accessing the income (without getting additional  
documentation)

## Partnership/S Corp K-1s

- No history of distributions?
- Distributions < ordinary income

Is it by <b>CHOICE</b> ?	Is it by <b>DEFAULT</b> ?
<ul style="list-style-type: none"> <li>• Business is solvent</li> <li>• Positive income trends</li> </ul>	<ul style="list-style-type: none"> <li>• Business agreement prohibits distributions</li> <li>• Business is insolvent – can't afford it</li> </ul>





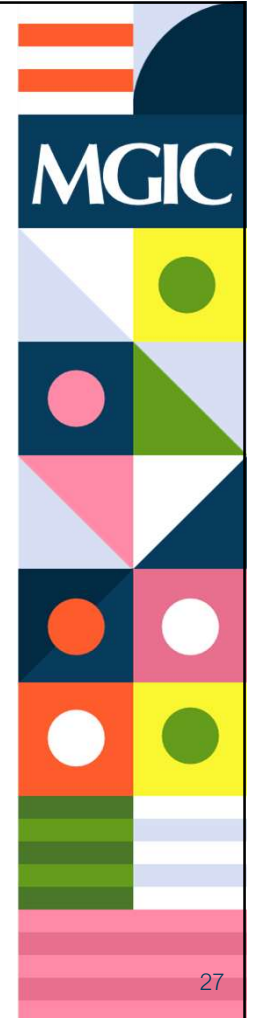
## Who is the investor?

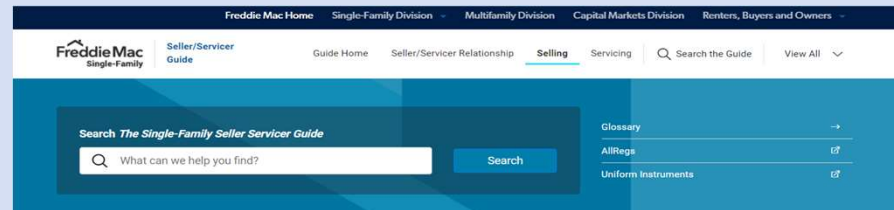


Fannie Mae®

Freddie Mac

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**MGIC**

### 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

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## 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)

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# 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

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jandjpropertiesolutions.com



# J & J Property Solutions

We handle it all so that you can relax and live life



## Rent Collection

We handle all collections, including rental payments, late fees and penalties. Our online portal makes it easy for tenants to pay rent and for owners to track finances.



## Tenant Screening

We screen every applicant with a thorough background and credit check to ensure they meet strict standards.



## Marketing & Design

We make your home shine with eye-catching listings and marketing. We offer design services to update your property when the time is right for a refresh.



## Maintenance & Repairs

Our in-house maintenance staff makes property maintenance easy. We conduct regular property inspections to allow for early detection of issues.

Offering experienced and reliable property management services since 2016. We look forward to becoming your solution.



# Personal 1040 Schedule E, Part II

Case study, page 40

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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 6199. See instructions.

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

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

Passive Income and Loss		Nonpassive Income and Loss	
(g) Passive loss allowed (attach Form 8582 if required)	(h) Passive income from Schedule K-1	(i) Nonpassive loss allowed (see Schedule K-1)	(j) Section 179 expense deduction from Form 4562
A 2,000.			
B	26,000.		
C	61,000.		
D			
29a Totals	87,000.		
b Totals	2,000.		
30 Add columns (h) and (k) of line 29a			30 97,000.
31 Add columns (g), (i), and (j) of line 29b			31 (2,000.)
32 Total partnership and S corporation income or (loss). Combine lines 30 and 31			32 95,000.

**Part III Income or Loss From Estates and Trusts**

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

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

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

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

**Part V Summary**

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

REV 6/24/25 TTW Schedule E (Form 1040) 2024

### Noncash expenses

- Depreciation
- Depletion
- Amortization
- Business use of home

### Limited IRS deductions

- Meals
- Travel & entertainment

### Nonrecurring

- Other income
- One-time expenses

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## SAM Cash Flow Analysis Worksheet

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

## Case study, page 53

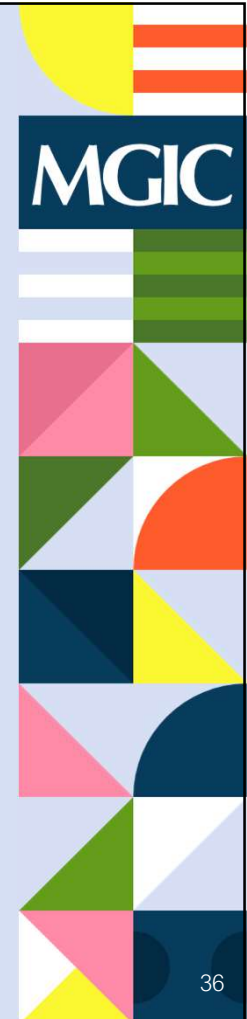
**mortgage guaranty  
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671124 OMB No. 1545-0123																																																																																									
<b>Schedule K-1</b> <b>(Form 1120-S)</b> Department of the Treasury Internal Revenue Service	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <input type="checkbox"/> Final K-1         </div> <div style="text-align: center;"> <input type="checkbox"/> Amended K-1         </div> </div> <div style="text-align: center; font-size: 2em; font-weight: bold; margin-top: 10px;">2024</div> <div style="text-align: center; font-weight: bold; margin-top: 5px;"> <b>Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items</b> </div>																																																																																								
For calendar year 2024, or tax year _____																																																																																									
beginning <span style="border: 1px solid black; padding: 2px 20px;">2024</span> ending <span style="border: 1px solid black; padding: 2px 20px;"></span>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%; text-align: center;">1</td> <td style="width: 75%;">Ordinary business income (loss)</td> <td style="width: 20%; text-align: center;">13</td> <td style="width: 10%;">Credits</td> </tr> <tr> <td style="text-align: center;">2</td> <td>Net rental real estate income (loss)</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">3</td> <td>Other net rental income (loss)</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">4</td> <td>Interest income</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">5a</td> <td>Ordinary dividends</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">5b</td> <td>Qualified dividends</td> <td></td> <td>14</td> </tr> <tr> <td style="text-align: center;">6</td> <td>Royalties</td> <td></td> <td>15</td> </tr> <tr> <td style="text-align: center;">7</td> <td>Net short-term capital gain (loss)</td> <td></td> <td>Alternative minimum tax (AMT) items</td> </tr> <tr> <td style="text-align: center;">8a</td> <td>Net long-term capital gain (loss)</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">8b</td> <td>Collectibles (28%) gain (loss)</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">8c</td> <td>Unrecaptured section 1250 gain</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">9</td> <td>Net section 1231 gain (loss)</td> <td></td> <td>16</td> </tr> <tr> <td style="text-align: center;">10</td> <td>Other income (loss)</td> <td></td> <td>C</td> </tr> <tr> <td style="text-align: center;">11</td> <td>Section 179 deduction</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">12</td> <td>Other deductions</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">13</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">14</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">15</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">16</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">17</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">18</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">19</td> <td></td> <td></td> <td></td> </tr> </table>	1	Ordinary business income (loss)	13	Credits	2	Net rental real estate income (loss)			3	Other net rental income (loss)			4	Interest income			5a	Ordinary dividends			5b	Qualified dividends		14	6	Royalties		15	7	Net short-term capital gain (loss)		Alternative minimum tax (AMT) items	8a	Net long-term capital gain (loss)			8b	Collectibles (28%) gain (loss)			8c	Unrecaptured section 1250 gain			9	Net section 1231 gain (loss)		16	10	Other income (loss)		C	11	Section 179 deduction			12	Other deductions			13				14				15				16				17				18				19			
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<b>Part I Information About the Corporation</b>																																																																																									
<b>A</b> Corporation's employer identification number 00-0000000	<b>5a</b> Ordinary dividends																																																																																								
<b>B</b> Corporation's name, address, city, state, and ZIP code  J & J PROPERTY SOLUTIONS 2500 N EXECUTIVE DRIVE JACKSON, TN 38305	<b>5b</b> Qualified dividends																																																																																								
<b>C</b> IRS Center where corporation filed return	<b>6</b> Royalties																																																																																								
<b>D</b> Corporation's total number of shares Beginning of tax year, . . . . . End of tax year, . . . . .	<b>7</b> Net short-term capital gain (loss)																																																																																								
<b>E</b> Shareholder's identifying number 000-00-0000	<b>8a</b> Net long-term capital gain (loss)																																																																																								
<b>F1</b> Shareholder's name, address, city, state, and ZIP code JAMES JOHNSON 1750 PROSPERITY DRIVE JACKSON, TN 38305	<b>8b</b> Collectibles (28%) gain (loss)																																																																																								
<b>F2</b> If the shareholder is a disregarded entity, a trust, an estate, or a nominee or similar person, enter the individual or entity responsible for reporting: TIN _____ Name _____	<b>8c</b> Unrecaptured section 1250 gain																																																																																								
<b>F3</b> What type of entity is this shareholder? _____	<b>9</b> Net section 1231 gain (loss)																																																																																								
<b>G</b> Current year allocation percentage . . . . . 50.0000 %	<b>10</b> Other income (loss)																																																																																								
<b>H</b> Shareholder's number of shares Beginning of tax year, . . . . . End of tax year, . . . . .	<b>11</b> Section 179 deduction																																																																																								
<b>I</b> Loans from shareholder Beginning of tax year, . . . . . \$ End of tax year, . . . . . \$	<b>12</b> Other deductions																																																																																								
<b>J</b> Shareholder's share of current year income, deductions, credits, and other items	<b>13</b> Credits																																																																																								
<b>K</b> Shareholder's share of current year income, deductions, credits, and other items	<b>14</b> Schedule K-3 is attached if checked <input type="checkbox"/>																																																																																								
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<b>P</b> Shareholder's share of current year income, deductions, credits, and other items	<b>19</b> More than one activity for passive activity purposes*																																																																																								
* See attached statement for additional information.																																																																																									

## Determine liquidity

- What is liquidity?
  - Ease of ability to convert business assets to cash
  - Offers immediate access to funds
- Business liquidity
  - Measure of financial strength
  - Indicates ability to pay current debts
  - Different businesses have different liquidity needs

**Inventory-intensive vs. low-inventory business**



# Liquidity ratios

## Current ratio

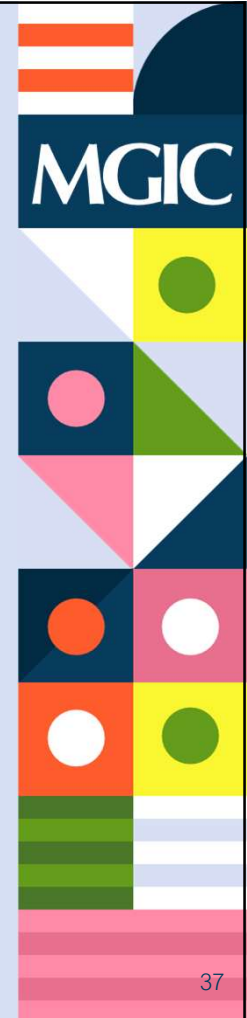
The current ratio measures the business's ability to pay its current liabilities with its current assets.

$$\frac{\begin{array}{l} \text{Current Assets} \\ \text{[Cash \& Equivalents + Marketable} \\ \text{Securities + Accounts Receivable} \\ \text{(Less Bad Debt) + Inventory]} \end{array}}{\text{Current Liabilities}} = \text{Current Ratio}$$

## Quick ratio

The quick ratio is an indicator of a business's ability to pay back its current liabilities with its most liquid assets. Inventory is excluded from the quick ratio.

$$\frac{\begin{array}{l} \text{Quick Assets} \\ \text{[Cash \& Equivalents + Marketable} \\ \text{Securities + Accounts Receivable} \\ \text{(Less Bad Debt) – Inventory Not} \\ \text{Included]} \end{array}}{\text{Current Liabilities}} = \text{Quick Ratio}$$



# Schedule L – Current ratio

Case study, page 58

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Form 1120-S (2024) Page **4**

**Schedule K Shareholders' Pro Rata Share Items (continued)**

		Total amount
Other Information	<b>17a</b> Investment income	2,400
	<b>b</b> Investment expenses	
	<b>c</b> Dividend distributions paid from accumulated earnings and profits	
	<b>d</b> Other items and amounts (attach statement)	
Reconciliation	<b>18</b> Income (loss) reconciliation. Combine the total amounts on lines 1 through 10. From the result, subtract the sum of the amounts on lines 11 through 12e and 16f	124,400

**Schedule L Balance Sheets per Books**

Assets	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
<b>1</b> Cash		15,400		12,100
<b>2a</b> Trade notes and accounts receivable	27,600		39,800	
<b>b</b> Less allowance for bad debts	(2,760)	24,840	(10,980)	28,820
<b>3</b> Inventories		30,000		12,000
<b>4</b> U.S. government obligations		6,000		6,000
				0
				130,800
			232,800	
			47,900	184,900
				374,620
				25,200
				20,400
				3,000
				78,660
				10,000
				2,000
				50,000
				185,360
				( )
				374,620

**Liquidity Worksheet** MGIC

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

**In general:**

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

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

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

Business Name:  Completed by:  Date:

**Schedule L - Assets** Select the Year(s):

1	Cash: Line 1, Column d		
2	Trade notes and accounts receivable, less bad debt: Line 2b, Column d		
3	Inventories: Line 3, Column d		
4	Other: <input type="text"/>		
5	Total Current Assets:	\$ -	\$ -

**Schedule L - Liabilities**

6	Accounts Payable: Form 1120S Line 14/Form 1065 Line 15, Column d		
7	Mortgages, notes, bonds payable < 1 year: Form 1120S Line 17/Form 1065 Line 18, Column d		
8	Other current liabilities: Form 1120S Line 18/Form 1065 Line 17, Column d		
9	Total Current Liabilities:	\$ -	\$ -

**Current Ratio**

Total Current Assets: Row 5 - Assets above	\$ -	\$ -
Total Current Liabilities: Row 9 - Liabilities above	\$ -	\$ -
Current Ratio: In general, a ratio 2.0 demonstrates adequate liquidity	N/A	N/A

**Quick Ratio**

Cash, notes, accounts receivable [less bad debt] & other: Rows 1, 2 & 4 - Assets above	\$ -	\$ -
Total Current Liabilities: Row 9 - Liabilities above	\$ -	\$ -
Quick Ratio: In general, a ratio 2.0 demonstrates adequate liquidity	N/A	N/A

Form **1120-S** (2024)



# MGIC Liquidity Worksheet

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## Liquidity Worksheet

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

X Business: J & J Property Solutions Completed by: Lender

Schedule L - Assets Input the Year(s): 2024

1	Cash: Line 1, Column d	\$	12,100.00
2	Trade notes and accounts receivable, less bad debt: Line 2b, Column d	\$	28,820.00
3	Inventories: Line 3, Column d	\$	12,000.00
4	Other:		
5	Total Current Assets:	\$	52,920.00

Schedule L - Liabilities 2024

6	Accounts Payable: Form 1120S Line 16/Form 1065 Line 15, Column d	\$	25,200.00
7	Mortgages, notes, bonds payable < 1 year: Form 1120S Line 17/Form 1065 Line 16, Column d	\$	20,400.00
8	Other current liabilities: Form 1120S Line 18/Form 1065 Line 17, Column d	\$	3,000.00
9	Total Current Liabilities:	\$	48,600.00

Current Ratio 2024

Total Current Assets: Row 5 - Assets above	\$	52,920.00
Total Current Liabilities: Row 9 - Liabilities above	\$	48,600.00
Current Ratio: In general, a ratio $\geq 1$ demonstrates adequate liquidity		1.09

Quick Ratio 2024

Cash, notes, accounts receivable (less bad debt) & other: Rows 1, 2 & 4 - Assets above	\$	40,920.00
Total Current Liabilities: Row 9 - Liabilities above	\$	48,600.00
Quick Ratio: In general, a ratio $\geq 1$ demonstrates adequate liquidity		0.84

# Current ratio or quick ratio?

## Liquidity Worksheet

MGIC

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

### In general:

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

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

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

X	Business:	J & J Property Solutions	Completed by:	Lender	Date:			
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# Effect on cash flow analysis

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insurance corporation

X S CORPORATION		Name:	J&J Property Solutions	2024
SCHEDULE K-1				
37	Ordinary Income (Loss): LINE 1 If > Distributions see additional requirements.		\$	61,000.00
38	Net Rental Income (Loss): LINES 2 & 3 If > Distributions see additional requirements.			
SUBTOTAL			\$	61,000.00
FORM W-2				
39	Wages: W-2, Box 5 (in general)			
FORM 1120S				
40	Deduct nonrecurring income: LINES 4 & 5		(	
41	Depreciation: LINE 14			
42	Depreciation (FORM 8825): LINE 14			
43	Depletion: LINE 15			
44	Amortization/Casualty Loss/Nonrecurring Loss: from statement or LINES 4 & 5			
45	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 17, Column d		(	
46	Non-Deductible Travel and Entertainment Exclusion: Schedule M-1, LINE 3b		(	
SUBTOTAL			\$	-
47	Multiplied by Ownership Percentage			
Shareholder's Total Share of Income (Loss)			\$	-

# Form 1120-S

Case study,  
pages 53, 55 - 59

mortgage guaranty  
insurance corporation

**Form 1120-S**  
Department of the Treasury  
Internal Revenue Service

**U.S. Income Tax Return for an S Corporation**  
Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.  
Go to [www.irs.gov/Form1120S](https://www.irs.gov/Form1120S) for instructions and the latest information.

OMB No. 1545-0123  
**2024**

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

A S election effective date Name J & J PROPERTY SOLUTIONS

D Employer identification number 00-0000000

E Date incorporated 09/01/2016

F Total assets (see instructions) \$ 374,620

Instructions: ☐ Yes ☐ No

(4) ☐ Amended return (5) ☐ S election termination

2) ☐ Grouped activities for section 469 passive activity purposes

See the instructions for more information.

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

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

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

**Part I Information About the Corporation**

A Corporation's employer identification number 00-0000000

B Corporation's name, address, city, state, and ZIP code  
J & J PROPERTY SOLUTIONS  
2500 N EXECUTIVE DRIVE  
JACKSON, TN 38305

C IRS Center where corporation filed return

D Corporation's total number of shares  
Beginning of tax year, 2024, ending 2024

**Part II Information About the Shareholder**

E Shareholder's identifying number 000-00-0000

F1 Shareholder's name, address, city, state, and ZIP code  
JAMES JOHNSON  
1750 PROSPERITY DRIVE  
JACKSON, TN 38305

F2 If the shareholder is a disregarded entity, a trust, an estate, or a nominee or similar person, enter the individual or entity responsible for reporting:  
TIN \_\_\_\_\_

F3 What type of entity is this shareholder?

G Current year allocation percentage 50.0000 %

H Shareholder's number of shares  
Beginning of tax year, 2024, ending 2024

I Loans from shareholder  
Beginning of tax year, 2024, ending 2024

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

1 Ordinary business income (loss) \$61,000

2 Net rental real estate income (loss)

3 Other net rental income (loss)

4 Interest income 1,200

5a Ordinary dividends

5b Qualified dividends

6 Royalties

7 Net short-term capital gain (loss)

8a Net long-term capital gain (loss)

9 Net section 1231 gain (loss)

10 Other income (loss)

11 Section 179 deduction

12 Other deductions

13 Credits

14 Schedule K-3 is attached if checked ☐

15 Alternative minimum tax (AMT) base

16 Items affecting shareholder basis

17 Other information 1,200

18 More than one activity for at-risk purposes?

19 More than one activity for passive activity purposes?

\* See attached statement for additional information.

For Paperwork Reduction Act Notice, see the Instructions for Form 1120-S. [www.irs.gov/Form1120S](https://www.irs.gov/Form1120S)

**Schedule K-1 (Form 1120-S) 2024**

1c Balance 330,400

2 146,000

3 184,400

4

5 10,000

6 194,400

7

8 26,000

9 8,000

10

11

12 2,100

13 2,900

14 13,500

15

16

17 3,400

18 8,000

19

20 8,500

21 72,400

22 122,000

23

24a

25

26 amount owed

27 amount overpaid

28 Refunded

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

Date \_\_\_\_\_ Check ☐ self-employed ☐ PTIN \_\_\_\_\_

Firm's EIN 00-0000000

Phone no. \_\_\_\_\_

Form 1120-S (2024)

**Form 1120-S** **U.S. Income Tax Return for an S Corporation** **OMB No. 1545-0047**  
 Department of the Treasury Internal Revenue Service **2024**  
 Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.  
 Go to [www.irs.gov/Form1120S](https://www.irs.gov/Form1120S) for instructions and the latest information.

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

**A** S election effective date **Name** J & J PROPERTY SOLUTIONS **D** Employer identification number 00-0000000  
**B** Business activity code number (see instructions) **TYPE OR** **E** Date incorporated 09/01/2016  
**C** Check if Sub. M-3 attached **PRIN** 2500 N EXECUTIVE DRIVE **F** Total assets (see instructions) \$ 374,620  
 City or town, state or province, country, and ZIP or foreign postal code JACKSON, TN 38305

**G** Is the corporation electing to be an S corporation beginning with this tax year? See instructions. ☐ Yes ☒ No

**H** Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination

**I** Enter the number of shareholders who were shareholders during any part of the tax year

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

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

<b>1a</b> Gross receipts or sales	332,400	<b>b</b> Less returns and allowances	2,000	<b>c</b> Balance	330,400
<b>2</b> Cost of goods sold (attach Form 1125-A)					146,000
<b>3</b> Gross profit. Subtract line 2 from line 1c.					184,400
<b>4</b> Other income (loss) (see instructions - attach statement)					10,000
<b>5</b> Total income (loss). Add lines 3 through 4.					194,400
<b>6</b> Compensation of officers (see instructions - attach Form 1125-E)					
<b>7</b> Salaries and wages (less employment credits)					26,000
<b>8</b> Repairs and maintenance					8,000
<b>9</b> Bad debts					
<b>10</b> Rents					
<b>11</b> Taxes and licenses					2,100
<b>12</b> Interest (see instructions)					2,900
<b>13</b> Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)					13,500
<b>14</b> Depletion (do not deduct oil and gas depletion)					
<b>15</b> Advertising					
<b>16</b> Pension, profit-sharing, etc., plans					3,400
<b>17</b> Employee benefit programs					8,000
<b>18</b> Energy efficient commercial buildings deduction (attach Form 7205)					
<b>19</b> Other deductions (attach statement)					8,500
<b>20</b> Total deductions. Add lines 7 through 20					72,400
<b>21</b> Ordinary business income (loss). Subtract line 21 from line 5.					122,000
<b>22</b> Excess net passive income or LIFO recapture tax (see instructions)					
<b>23a</b> Tax from Schedule D (Form 1120-S)					
<b>23b</b> Add lines 23a and 23b (see instructions for additional taxes)					
<b>23c</b> Current year's estimated tax payments and preceding year's overpayment credited to the current year					
<b>24a</b> Tax deposited with Form 7004					
<b>24b</b> Credit for federal tax paid on fuels (attach Form 4136)					
<b>24c</b> Elective payment election amount from Form 3800					
<b>24d</b> Add lines 24a through 24d					
<b>24e</b> Estimated tax penalty (see instructions). Check if Form 2220 is attached					
<b>25</b> Amount owed. If line 24e is smaller than the total of lines 23c and 25, enter amount owed					
<b>26</b> Overpayment. If line 24e is larger than the total of lines 23c and 25, enter amount overpaid					
<b>27</b> Enter amount from line 27. Credited to 2025 estimated tax					
<b>28</b> Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.					

**Sign Here** Signature of officer \_\_\_\_\_ Date \_\_\_\_\_ Title \_\_\_\_\_

**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 1120-S** (2024)

## SAM Cash Flow Analysis Worksheet

### S Corporation Cash Flow

Evaluate business income as required by your investor.

☒ S CORPORATION Name J & J Property Solutions - James 2024

#### SCHEDULE K-1

Form 1120S, Page 1 Detail

Line 5 - Other Income

Ordinary income from partnership - The Accounting House	10,000
Total	10,000

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

2024

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

For calendar year 2024, or tax year

beginning  ending

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

**Part I Information About the Partnership**

A Partnership's employer identification number  
98-7654321

B Partnership's name, address, city, state, and ZIP code  
THE ACCOUNTING HOUSE  
123 NEWHALL AVE  
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.)  
00-0000000

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.  
J & J PROPERTY SOLUTIONS  
2500 N EXECUTIVE DR  
JACKSON, TN 38305

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

H1 ☒ Domestic partner ☐ Foreign partner

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

TIN Name  
S-CORP

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	20 %	20 %
Loss	20 %	20 %
Capital	20 %	20 %

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) 10,000

2 Net rental real estate income (loss)

3 Other net rental income (loss)

4a Guaranteed payments for services

4b Guaranteed payments for capital

4c Total guaranteed payments

5 Interest income

6a Ordinary dividends

6b Qualified dividends

6c Dividend equivalents

7 Royalties

8 Net short-term capital gain (loss)

9a Net long-term capital gain (loss) 10,000

9b Collectibles (28%) gain (loss)

9c Unrecaptured section 1250 gain

10 Net section 1231 gain (loss)

11 Other income (loss)

12 Section 179 deduction

13 Other deductions

14 Self-employment earnings (loss)

15 Credits

16 Schedule K-3 is attached if checked ☐

17 Alternative minimum tax (AMT) items

18 Tax-exempt income and nondeductible expenses

19 Distributions 8,000

20 Other information

21 Foreign taxes paid or accrued

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

23 More than one activity for passive activity purposes\*

\*See attached statement for additional information.

For Paperwork Reduction Act Notice, see the Instructions for Form 1065. www.irs.gov/Form1065

Schedule K-1 (Form 1065) 2024

**mortgage guaranty  
insurance corporation**

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

2023

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

For calendar year 2023, or tax year

beginning  ending

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

**Part I Information About the Partnership**

A Partnership's employer identification number  
98-7654321

B Partnership's name, address, city, state, and ZIP code  
THE ACCOUNTING HOUSE  
123 NEWHALL AVE  
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.)  
00-0000000

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.  
J & J PROPERTY SOLUTIONS  
2500 N EXECUTIVE DR  
JACKSON, TN 38305

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

H1 ☒ Domestic partner ☐ Foreign partner

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

TIN Name  
S-CORP

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	20 %	20 %
Loss	20 %	20 %
Capital	20 %	20 %

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) 8,000

2 Net rental real estate income (loss)

3 Other net rental income (loss)

4a Guaranteed payments for services

4b Guaranteed payments for capital

4c Total guaranteed payments

5 Interest income

6a Ordinary dividends

6b Qualified dividends

6c Dividend equivalents

7 Royalties

8 Net short-term capital gain (loss)

9a Net long-term capital gain (loss) 8,000

9b Collectibles (28%) gain (loss)

9c Unrecaptured section 1250 gain

10 Net section 1231 gain (loss)

11 Other income (loss)

12 Section 179 deduction

13 Other deductions

14 Self-employment earnings (loss)

15 Credits

16 Schedule K-3 is attached if checked ☐

17 Alternative minimum tax (AMT) items

18 Tax-exempt income and nondeductible expenses

19 Distributions

20 Other information

21 Foreign taxes paid or accrued

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

23 More than one activity for passive activity purposes\*

\*See attached statement for additional information.

For Paperwork Reduction Act Notice, see the Instructions for Form 1065. www.irs.gov/Form1065

Schedule K-1 (Form 1065) 2023

**Form 1120-S** U.S. Income Tax Return for an S Corporation  
OMB No. 1545-0123  
2024

Department of the Treasury  
Internal Revenue Service  
Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.  
Go to [www.irs.gov/Form1120S](http://www.irs.gov/Form1120S) for instructions and the latest information.

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

**A** S election effective date: ☐ Yes ☐ No

**B** Business activity code number (see instructions): **J & J PROPERTY SOLUTIONS**

**C** Check if Sch. M-1 attached: ☐ Yes ☐ No

**D** Employer identification number: 00-0000000

**E** Date incorporated: 09/01/2016

**F** Total assets (see instructions): \$ 374,620

**G** Is the corporation electing to be an S corporation beginning with this tax year? See instructions. ☐ Yes ☐ No

**H** Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination

**I** Enter the number of shareholders who were shareholders during any part of the tax year: .

**J** Check if corporation: (1) ☐ Aggregated activities for section 469 at-risk purposes (2) ☐ Grouped activities for section 469 passive activity purposes

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

**Income**

1a Gross receipts or sales: 332,400 1b Less returns and allowances: 2,000 1c Balance: 330,400

2 Cost of goods sold (attach Form 1125-A): 146,000

3 Gross profit. Subtract line 2 from line 1c: 184,400

4 Other income (loss) (see instructions - attach statement): SEE STATEMENT 10,000

5 Total income (loss). Add lines 1 through 4: 334,400

6 Compensation of officers (see instructions - attach Form 1125-E): 26,000

7 Salaries and wages (less employment credits): 8,000

8 Repairs and maintenance: 2,100

9 Bad debts: 2,900

10 Rents: 13,500

11 Taxes and licenses: 8,500

12 Interest (see instructions): 72,400

13 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562): 1,000

14 Depletion (do not deduct oil and gas depletion): 1,000

15 Advertising: 3,400

16 Pension, profit-sharing, etc., plans: 8,000

17 Employee benefit programs: 8,500

18 Energy-efficient commercial buildings deduction (attach Form 7296): 8,500

19 Other deductions (attach statement): INSURANCE 7,500 AMORTIZATION 1,000 8,500

20 Total deductions. Add lines 7 through 19: 122,000

21 Ordinary business income (loss). Subtract line 20 from line 5: 212,400

22 Excess net passive income or LIFO recapture tax (see instructions): 23a 23b 23c

23a Excess net passive income or LIFO recapture tax (see instructions): 23a 23b 23c

23b Tax from Schedule D (Form 1120-S): 23b

23c Add lines 23a and 23b (see instructions for additional taxes): 23c

24a Current year's estimated tax payments and preceding year's overpayment credited to the current year: 24a 24b 24c 24d

24b Tax deposited with Form 7004: 24b

24c Credit for federal tax paid on fuels (attach Form 4136): 24c

24d Elective payment election amount from Form 3800: 24d

24z Add lines 24a through 24d: 24z

25 Estimated tax penalty (see instructions). Check if Form 2220 is attached: 25

26 Amount owed. If line 24z is smaller than the total of lines 23c and 25, enter amount owed: 26

27 Overpayment. If line 24z is larger than the total of lines 23c and 25, enter amount overpaid: 27

28 Enter amount from line 27. Credited to 2025 estimated tax. Refunded: 28

**Sign Here**

Signature of officer: \_\_\_\_\_ Date: \_\_\_\_\_ Title: \_\_\_\_\_

Print/Type preparer's name: \_\_\_\_\_ Preparer's signature: \_\_\_\_\_ Date: \_\_\_\_\_ Check ☐ if self-employed PTIN: \_\_\_\_\_

**Paid Preparer Use Only**

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 1120-S (2024)

## SAM Cash Flow Analysis Worksheet

### S Corporation Cash Flow

Evaluate business income as required by your investor.

X	S CORPORATION	Name	J & J Property Solutions - James	2024
<b>SCHEDULE K-1</b>				
37	Ordinary Income (Loss): LINE 1 If > Distributions see additional requirements.	\$	61,000.00	
38	Net Rental Income (Loss): LINES 2 & 3 If > Distributions see additional requirements.			
	<b>SUBTOTAL</b>	\$	61,000.00	
<b>FORM W-2</b>				
39	Wages: W-2, Box 5 (in general)			
<b>FORM 1120S</b>				
40	Deduct nonrecurring income: LINES 4 & 5	(		
41	Depreciation: LINE 14	\$	13,500.00	
42	Depreciation (FORM 8825): LINE 14			
43	Depletion: LINE 15			
44	Amortization/Casualty Loss/Nonrecurring Loss: from statement or LINES 4 & 5	\$	1,000.00	
45	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 17, Column d	(		
46	Non-Deductible Travel and Entertainment Exclusion: Schedule M-1, LINE 3b	(		
	<b>SUBTOTAL</b>	\$	14,500.00	
47	Multiplied by Ownership Percentage			
	Shareholder's Total Share of Income (Loss)	\$	-	

# Form 1120-S, Schedule L

Form 1120-S (2024) **Schedule K Shareholders' Pro Rata Share Items (continued)** Page **4**

<b>17a</b>	Investment income	<b>17a</b>	Total amount	2,400	
<b>b</b>	Investment expenses	<b>17b</b>			
<b>c</b>	Dividend distributions paid from accumulated earnings and profits	<b>17c</b>			
<b>d</b>	Other items and amounts (attach statement)				
<b>18</b>	<b>Income (loss) reconciliation.</b> Combine the total amounts on lines 1 through 10. From the result, subtract the sum of the amounts on lines 11 through 12e and 16f.			<b>18</b>	124,400

**Schedule L Balance Sheets per Books**

	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
<b>1</b> Cash		15,400		12,100
<b>2a</b> Trade notes and accounts receivable	27,600		39,800	
<b>3</b> Other assets (attach statement)	2,760	24,840	10,900	28,820
<b>4</b> Total assets		348,740		374,620
<b>5</b> Liabilities and Shareholders' Equity				
<b>6</b> Accounts payable		18,800		25,200
<b>7</b> Mortgages, notes, bonds payable in less than 1 year		22,000		20,400
<b>8</b> Other current liabilities (attach statement)		4,780		3,000
<b>9</b> Loans from shareholders				
<b>10</b> Mortgages, notes, bonds payable in 1 year or more		119,100		78,660
<b>11</b> Other liabilities (attach statement)		13,100		10,000
<b>12</b> Capital stock		2,000		2,000
<b>13</b> Additional paid-in capital		50,000		50,000
<b>14</b> Retained earnings		121,960		185,360
<b>15</b> Adjustments to shareholders' equity (attach statement)				
<b>16</b> Less cost of treasury stock				
<b>17</b> Total liabilities and shareholders' equity		348,740		374,620

Form **1120-S** (2024)

- Line of credit
- Regular rollover
- Sufficient liquid assets

mortgage guaranty  
insurance corporation

## SAM Cash Flow Analysis Worksheet

### S Corporation Cash Flow

Evaluate business income as required by your investor.

<b>X</b>	<b>S CORPORATION</b>	<b>Name</b> J & J Property Solutions - James	<b>Year</b> 2024
<b>SCHEDULE K-1</b>			
<b>37</b>	Ordinary Income (Loss): <b>LINE 1</b> If > Distributions see additional requirements.	\$	61,000.00
<b>38</b>	Net Rental Income (Loss): <b>LINES 2 &amp; 3</b> If > Distributions see additional requirements.		
	<b>SUBTOTAL</b>	\$	61,000.00
<b>FORM W-2</b>			
<b>39</b>	Wages: <b>W-2, Box 5</b> (in general)		
<b>FORM 1120S</b>			
<b>40</b>	Deduct nonrecurring income: <b>LINES 4 &amp; 5</b>	(	
<b>41</b>	Depreciation: <b>LINE 14</b>	\$	13,500.00
<b>42</b>	Depreciation (FORM 8825): <b>LINE 14</b>		
<b>43</b>	Depletion: <b>LINE 15</b>		
<b>44</b>	Amortization/Casualty Loss/Nonrecurring Loss: from statement or <b>LINES 4 &amp; 5</b>	\$	1,000.00
<b>45</b>	Mortgages or Notes Payable in Less Than 1 Year: <b>Schedule L, LINE 17, Column d</b>	(	
<b>46</b>	Non-Deductible Travel and Entertainment Exclusion: <b>Schedule M-1, LINE 3b</b>	(	
	<b>SUBTOTAL</b>	\$	14,500.00
<b>47</b>	Multiplied by Ownership Percentage		
	Shareholder's Total Share of Income (Loss)	\$	-

Form 1120-S (2024) Page **5**

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

<b>1</b> Net income (loss) per books . . . . .	123,400	<b>5</b> Income recorded on books this year not included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize):	
<b>2</b> Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize):		<b>a</b> Tax-exempt interest \$	
<b>3</b> Expenses recorded on books this year not included on Schedule K, lines 1 through 12e, and 16f (itemize):		<b>6</b> Deductions included on Schedule K, lines 1 through 12e, and 16f, not charged against book income this year (itemize):	
<b>a</b> Depreciation \$		<b>a</b> Depreciation \$	
<b>b</b> Travel and entertainment \$ <u>1,000</u>	1,000	<b>7</b> Add lines 5 and 6 . . . . .	
<b>4</b> Add lines 1 through 3 . . . . .	124,400	<b>8</b> Income (loss) (Schedule K, line 18). Subtract line 7 from line 4 . . . . .	124,400

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

	(a) Accumulated adjustments account	(b) Shareholders' undistributed taxable income previously taxed	(c) Accumulated earnings and profits	(d) Other adjustments account
<b>1</b> Balance at beginning of tax year . . . . .	121,960			
<b>2</b> Ordinary income from page 1, line 22 . . . . .	122,000			
<b>3</b> Other additions . . . . .	2,400			
<b>4</b> Loss from page 1, line 22 . . . . .				
<b>5</b> Other reductions . . . . .	(1,000)			
<b>6</b> Combine lines 1 through 5 . . . . .	245,360			
<b>7</b> Distributions . . . . .	60,000			
<b>8</b> Balance at end of tax year. Subtract line 7 from line 6 . . . . .	185,360			

Form **1120-S** (2024)

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## SAM Cash Flow Analysis Worksheet

### S Corporation Cash Flow

Evaluate business income as required by your investor.

X	S CORPORATION	Name	J & J Property Solutions - James	2024
<b>SCHEDULE K-1</b>				
<b>37</b>	Ordinary Income (Loss): <b>LINE 1</b> If > Distributions see additional requirements.	\$	61,000.00	
<b>38</b>	Net Rental Income (Loss): <b>LINES 2 &amp; 3</b> If > Distributions see additional requirements.			
<b>SUBTOTAL</b>		\$	61,000.00	
<b>FORM W-2</b>				
<b>39</b>	Wages: <b>W-2, Box 5</b> (in general)			
<b>FORM 1120S</b>				
<b>40</b>	Deduct nonrecurring income: <b>LINES 4 &amp; 5</b>	(		)
<b>41</b>	Depreciation: <b>LINE 14</b>	\$	13,500.00	
<b>42</b>	Depreciation (FORM 8825): <b>LINE 14</b>			
<b>43</b>	Depletion: <b>LINE 15</b>			
<b>44</b>	Amortization/Casualty Loss/Nonrecurring Loss: from statement or <b>LINES 4 &amp; 5</b>	\$	1,000.00	
<b>45</b>	Mortgages or Notes Payable in Less Than 1 Year: <b>Schedule L, LINE 17, Column d</b>	(		)
<b>46</b>	Non-Deductible Travel and Entertainment Exclusion: <b>Schedule M-1, LINE 3b</b>	( \$	1,000.00	)
<b>SUBTOTAL</b>		\$	13,500.00	
<b>47</b>	Multiplied by Ownership Percentage		50.00%	
Shareholder's Total Share of Income (Loss)		\$	6,750.00	



# Effect on cash flow analysis

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SAM Cash Flow Analysis Worksheet				MGIC
<b>S Corporation Cash Flow</b>				
Evaluate business income as required by your investor.				
X	S CORPORATION	Narr J & J Property Solutions - James	2024	2023
SCHEDULE K-1				
37	Ordinary Income (Loss): LINE 1 If > Distributions see additional requirements.		\$ 61,000.00	\$ 57,500.00
38	Net Rental Income (Loss): LINES 2 & 3 If > Distributions see additional requirements.			
	<b>SUBTOTAL</b>		\$ 61,000.00	\$ 57,500.00
FORM W-2				
39	Wages: W-2, Box 5 (in general)			
FORM 1120S				
40	Deduct nonrecurring income: LINES 4 & 5		( )	( )
41	Depreciation: LINE 14		\$ 13,500.00	\$ 12,750.00
42	Depreciation (FORM 8825): LINE 14			
43	Depletion: LINE 15			
44	Amortization/Casualty Loss/Nonrecurring Loss: from statement or LINES 4 & 5		\$ 1,000.00	\$ 875.00
45	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 17, Column d		( )	( )
46	Non-Deductible Travel and Entertainment Exclusion: Schedule M-1, LINE 3b		( \$ 1,000.00 )	( \$ 895.00 )
	<b>SUBTOTAL</b>		\$ 13,500.00	\$ 12,730.00
47	Multiplied by Ownership Percentage		50.00%	50.00%
	<b>Shareholder's Total Share of Income (Loss)</b>		\$ 6,750.00	\$ 6,365.00

# What is the earnings trend?

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SAM Cash Flow Analysis Worksheet				MGIC
<b>S Corporation Cash Flow</b>				
Evaluate business income as required by your investor.				
X	S CORPORATION	Nam J & J Property Solutions - James	2024	2023
<b>SCHEDULE K-1</b>				
37	Ordinary Income (Loss): LINE 1 If > Distributions see additional requirements.		\$ 61,000.00	\$ 57,500.00
38	Net Rental Income (Loss): LINES 2 & 3 If > Distributions see additional requirements.			
	<b>SUBTOTAL</b>		<b>\$ 61,000.00</b>	<b>\$ 57,500.00</b>
<b>FORM W-2</b>				
39	Wages: W-2, Box 5 (in general)			
<b>FORM 1120S</b>				
40	Deduct nonrecurring income: LINES 4 & 5		( )	( )
41	Depreciation: LINE 14		\$ 13,500.00	\$ 12,750.00
42	Depreciation (FORM 8825): LINE 14			
43	Depletion: LINE 15			
44	Amortization/Casualty Loss/Nonrecurring Loss: from statement or LINES 4 & 5		\$ 1,000.00	\$ 875.00
45	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 17, Column d		( )	( )
46	Non-Deductible Travel and Entertainment Exclusion: Schedule M-1, LINE 3b		( \$ 1,000.00 )	( \$ 895.00 )
	<b>SUBTOTAL</b>		<b>\$ 13,500.00</b>	<b>\$ 12,730.00</b>
47	Multiplied by Ownership Percentage		50.00%	50.00%
	<b>Shareholder's Total Share of Income (Loss)</b>		<b>\$ 6,750.00</b>	<b>\$ 6,365.00</b>
			<b>\$67,750.00</b>	<b>\$63,865.00</b>
			<b>/24 = \$5,483.96</b>	

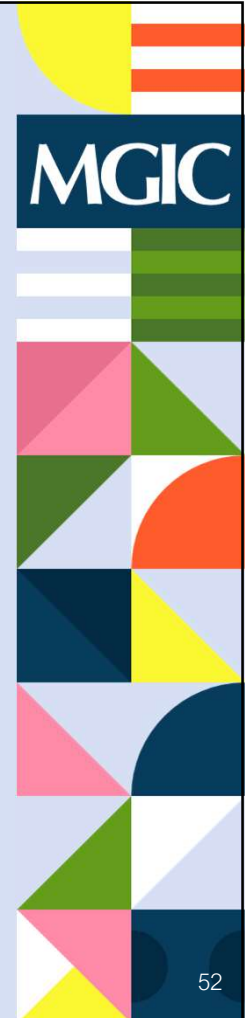


## **Schedule B Interest and Dividends**



## Schedule B

- Interest from self-employment
- Dividends from self-employment
- Other interest and dividends
  - Use tax return as supporting documentation
  - Follow investor documentation guidelines



# Schedule B

Case study,  
pages 20 & 21

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## SCHEDULE B (Form 1040)

Department of the Treasury  
Internal Revenue Service

Name(s) shown on return

James & Jessica Johnson

## Interest and Ordinary Dividends

Attach to Form 1040 or 1040-SR.  
Go to [www.irs.gov/ScheduleB](http://www.irs.gov/ScheduleB) for instructions and the latest information.

OMB No. 1545-0074

**2024**  
Attachment  
Sequence No. **08**

Your social security number  
000-00-0000

### Part I

#### Interest

(See instructions and the Instructions for Form 1040, line 2b.)

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

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

Colonial Federal

J & J Property Solutions

Amount

500.

1,200.

**1**

**2** Add the amounts on line 1. **2** 1,700.

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

**4** Subtract line 3 from line 2. Enter the result here and on Form 1040 or 1040-SR, line 2b. **4** 1,700.

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

Amount

500.

6,400.

**5**

### Part II

#### Ordinary Dividends

(See instructions and the Instructions for Form 1040, line 3b.)

**Note:** If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

**5** List name of payer: IBM, Creative Design Concepts

**6** Add the amounts on line 5. Enter the total here and on Form 1040 or 1040-SR, line 3b. **6** 6,900.

**Note:** If line 6 is over \$1,500, you must complete Part III.

### Part III

#### Foreign Accounts and Trusts

**Caution:** If required, failure to file FinCEN Form 114 may result in substantial penalties. Additionally, you may be required to file Form 8938, Statement of Specified Foreign Financial Assets. See instructions.

You must complete this part if you (a) had over \$1,500 of taxable interest or ordinary dividends; (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

**7a** At any time during 2024, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions. **Yes** **No**

If "Yes," are you required to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), to report that financial interest or signature authority? See FinCEN Form 114 and its instructions for filing requirements and exceptions to those requirements. **Yes** **No**

**b** If you are required to file FinCEN Form 114, list the name(s) of the foreign country(-ies) where the financial account(s) is (are) located: **Yes** **No**

**8** During 2024, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions. **Yes** **No**

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

REV 01/24/25 TTW

Schedule B (Form 1040) 2024

# Effect on cash flow analysis

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671124  
OMB No. 1545-0123

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

**2024**

For calendar year 2024, or tax year  
beginning 2024 ending

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

**Part I Information About the Corporation**

**A** Corporation's employer identification number  
00-0000000

**B** Corporation's name, address, city, state, and ZIP code  
J & J PROPERTY SOLUTIONS  
2500 N EXECUTIVE DRIVE  
JACKSON, TN 38305

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

<b>1</b> Ordinary business income (loss)	61,000	<b>13</b> Credits	
<b>2</b> Net rental real estate income (loss)			
<b>3</b> Other net rental income (loss)			
<b>4</b> Interest income	1,200		
<b>5a</b> Ordinary dividends			
<b>5b</b> Qualified dividends		<b>14</b> Schedule K-3 is attached if checked <input type="checkbox"/>	
<b>6</b> Royalties		<b>15</b> Alternative minimum tax (AMT) built-in loss	
<b>7</b> Net short-term capital gain (loss)			

**SCHEDULE B - INTEREST AND DIVIDENDS FROM SELF-EMPLOYMENT**

	2024	2023
<b>1</b> Recurring Interest Income: <u>LINE 1 or 1040 LINE 2b</u>	\$ 1,200.00	\$ 1,200.00
<b>2</b> Recurring Dividend Income: <u>LINE 5 or 1040 LINE 3b</u>	\$ 6,400.00	\$ 2,500.00
<b>SUBTOTAL</b>	\$ 7,600.00	\$ 3,700.00

**000-00-0000**

**F1** Shareholder's name, address, city, state, and ZIP code  
JAMES JOHNSON  
1750 PROSPERITY DRIVE  
JACKSON, TN 38305

**F2** If the shareholder is a disregarded entity, a trust, an estate, or a nominee or similar person, enter the individual or entity responsible for reporting:  
TIN \_\_\_\_\_ Name \_\_\_\_\_

**F3** What type of entity is this shareholder? \_\_\_\_\_

**G** Current year allocation percentage . . . . . 50.0000 %

**H** Shareholder's number of shares  
Beginning of tax year . . . . .  
End of tax year . . . . .

**I** Loans from shareholder  
Beginning of tax year . . . . . \$  
End of tax year . . . . . \$

**For IRS Use Only**

**18** More than one activity for at-risk purposes? ☐

**19** More than one activity for passive activity purposes? ☐

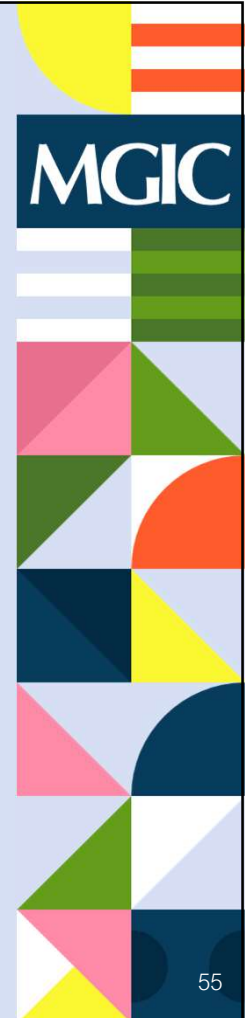
\* See attached statement for additional information.

For Paperwork Reduction Act Notice, see the Instructions for Form 1120-S. www.irs.gov/Form1120S  
JSA 4C1600 1.000 Schedule K-1 (Form 1120-S) 2024

# Purpose of cash flow analysis

Verify qualifying income that is:

- Stable
- Likely to continue





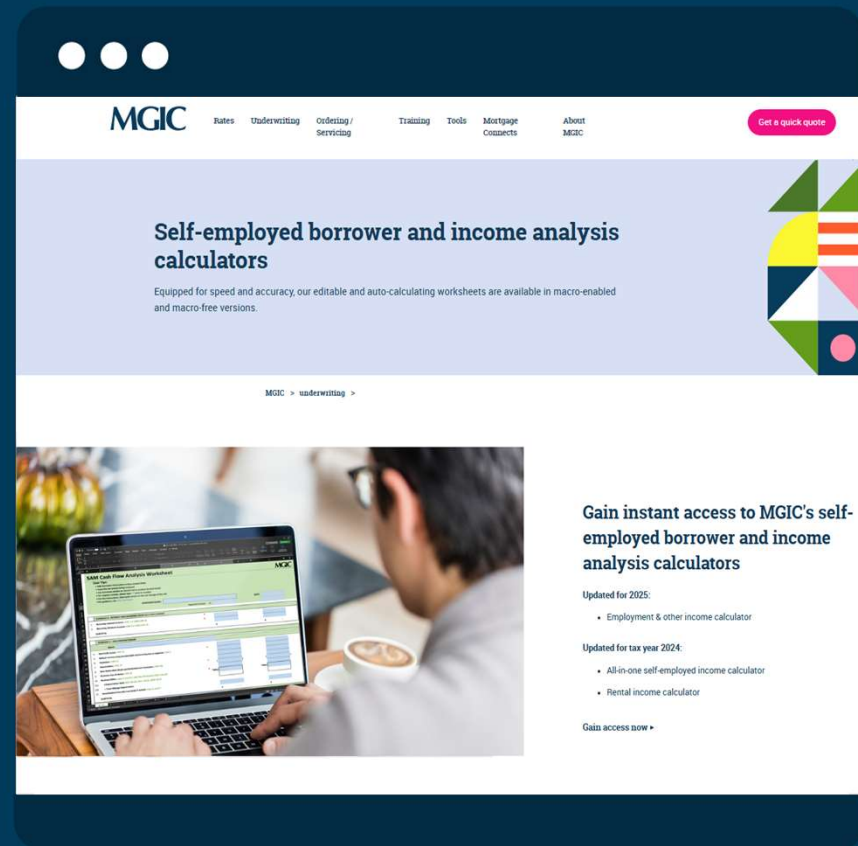
# TOOLS FOR SUCCESS!

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The screenshot shows the MGIC website interface. At the top, there is a navigation bar with the MGIC logo and links for Rates, Underwriting, Ordering / Servicing, Training, Tools, Mortgage Connects, and About MGIC. A 'Get a quick quote' button is located on the right. The main heading is 'Self-employed borrower and income analysis calculators', followed by a subtext: 'Equipped for speed and accuracy, our editable and auto-calculating worksheets are available in macro-enabled and macro-free versions.' Below this, a breadcrumb trail reads 'MGIC > underwriting >'. A large image shows a person using a laptop displaying the MGIC calculator interface. To the right of the image, the text reads 'Gain instant access to MGIC's self-employed borrower and income analysis calculators'. Below this, it states 'Updated for 2025:' followed by a bullet point: '• Employment & other income calculator'. Then, it says 'Updated for tax year 2024:' followed by two bullet points: '• All-in-one self-employed income calculator' and '• Rental income calculator'. At the bottom, there is a link 'Gain access now •'.

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## Self-employed borrower and income analysis calculators

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

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Updated for 2025:

- Employment & other income calculator

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- All-in-one self-employed income calculator
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# MGIC worksheets

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## SEB and income analysis calculators and resources

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### Updated calculators

Our editable and auto-calculating worksheets are designed for speed and accuracy. We recommend you use the macro-enabled versions but also offer macro-free alternatives if you cannot use Excel worksheets with macros. To learn more, download our Calculator FAQs or watch the overview videos below.

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

All-in-one calculator	All-in-one calculator	Income calculator	Rental calculator
<b>All-in-one self-employed income calculator</b> Full workbook	<b>All-in-one self-employed income calculator</b> Condensed version	<b>Employment and other income calculator</b>	<b>Rental income calculator</b>
All-in-one self-employed income calculator updated for tax year 2024 Available in macro-enabled and macro-free versions This calculator incorporates 4 worksheets, including SAM cash flow analysis, liquidity, comparative income analysis and P&L statement analysis. (2/10/2025)	All-in-one self-employed income calculator updated for tax year 2024 Macro-free short form This is a condensed version of our macro-free self-employed calculator, with just one of each type of business entity. (2/10/2025)	Employment & other income calculator Available in macro-enabled and macro-free versions This worksheet is designed to calculate salaried borrowers' monthly qualifying income (fixed and variable) and gross up non-taxable income. (1/2/2025)	Rental income calculator updated for tax year 2024 Available in macro-enabled and macro-free versions Cash flow income from a principal residence (2- to 4-unit), investment property or business rental by reviewing tax returns or leases. (1/2/2025)
Download macro-enabled ► Download macro-free ►	Download macro-free ►	Download macro-enabled ► Download macro-free ►	Download macro-enabled ► Download macro-free ►
<b>Video</b> All-in-one self-employed income calculator	<b>Video</b> Employment and other income calculator	<b>FAQs</b> Calculator FAQs	<b>Infographic</b> CHARACTERISTICS OF 5 COMMON SELF-EMPLOYED BUSINESSES
Overview video: All-in-one self-employed income calculator This video highlights the features that make our all-in-one self-employed income calculator a powerful tool for assisting you in calculating and analyzing your self-employed borrowers' income.	Overview video: Employment & other income calculator In this demo video, we'll share user tips to maximize your experience and make the process of calculating and analyzing your borrowers' income easier and more accurate.	Have additional questions? Get the answers to your questions about our self-employed borrower and income analysis calculator worksheets, as well as information about the macro-enabled and macro-free versions.	Characteristics of 5 common self-employed business structures This quick reference defines the different business structures and provides insights so you can better understand the risk and tax implications of each.
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# Dig deeper

[www.mgic.com/magic-minutes](http://www.mgic.com/magic-minutes)

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The screenshot displays a web interface for the 'Magic Minute series'. At the top, the title 'Magic Minute series' is followed by a subtitle: 'Count on MGIC's on-demand videos to expand your mortgage industry knowledge in 1 minute.' Below this, a large video thumbnail is featured. The thumbnail has a dark blue background with a light blue square in the center. Inside the square is a green document icon with a dollar sign and a magnifying glass with a red handle. The video title 'Analyzing Self-Employed Income' is written in white, with 'Analyzing' in a smaller font and 'Self-Employed Income' in a larger, bold font. Below the title, a white text block reads: '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.' At the bottom of the thumbnail, a white button with the text 'Explore the series >' is visible. To the right of the main content area, there is a vertical sidebar with a colorful geometric pattern of squares and circles in shades of blue, red, yellow, and green.



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## Magic Minutes training series

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### Analyzing Self-Employed Income

Calculating the qualifying income of a self-employed borrower can be challenging. These videos can help you to better analyze if the business will continue to generate and distribute income, and whether your borrower will be able to make future mortgage payments.

<p>Video</p> <p><b>Analyzing Self-Employed Income</b></p> <p>Eligibility requirements</p> <p>Magic Minutes</p> <p>Learn who can be considered self-employed, the eligibility requirements they must meet, and what factors to examine when evaluating self-employed income.</p> <p>Watch it on YouTube ►</p>	<p>Video</p> <p><b>Analyzing Self-Employed Income</b></p> <p>Business structures</p> <p>Magic Minutes</p> <p>Understand different types of business structures to communicate with borrowers, document the file, and know how money flows from business tax returns to personal tax returns.</p> <p>Watch it on YouTube ►</p>	<p>Video</p> <p><b>Analyzing Self-Employed Income</b></p> <p>Documentation requirements</p> <p>Magic Minutes</p> <p>Know the difference between Fannie Mae and Freddie Mac documentation requirements, as well as the tools for confidently calculating qualifying income and expediting turn times.</p> <p>Watch it on YouTube ►</p>	<p>Video</p> <p><b>Analyzing Self-Employed Income</b></p> <p>Cash flow analysis</p> <p>Magic Minutes</p> <p>Discover how considering the nature of a business is key when conducting a liquidity test. Assess a business's financial health by using the 5 steps for determining liquidity.</p> <p>Watch it on YouTube ►</p>
<p>Video</p> <p><b>Analyzing Self-Employed Income</b></p> <p>Magic Minutes</p>	<p>Video</p> <p><b>Analyzing Self-Employed Income</b></p> <p>Magic Minutes</p>	<p>Video</p> <p><b>Analyzing Self-Employed Income</b></p> <p>Magic Minutes</p>	<p>Video</p> <p><b>Analyzing Self-Employed Income</b></p> <p>Magic Minutes</p>

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YouTube: [mgic.com/youtube](https://mgic.com/youtube)



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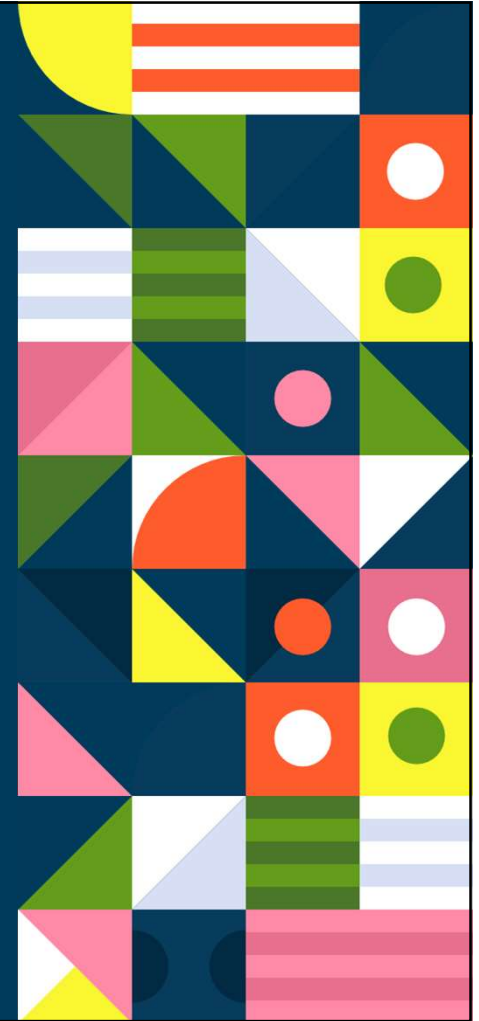
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## **Schedule K-1 Questions**

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## Magic Minutes training series



# Analyzing Self-Employed Income

Clearing up  
K-1 confusion



**Magic Minutes**  
by MGIC

00:00

15:24



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