

For Arch MI and Arch MI for Credit Unions

Master the Mystery

Navigating and Evaluating
Personal Tax Returns

an INCOME ANALYSIS course



Legal Disclaimer

Arch Mortgage Insurance Company is providing this training to you for use as a training tool only. These materials are not intended nor should they be relied upon for any other purpose, including underwriting actual mortgage loans without independent verification and testing by your in-house quality control and/or compliance personnel or actual preparation of documents, which may be presented in the materials. All materials presented are samples for illustrative purposes only.



Objectives

Learn Tax Return Fundamentals.

- When and Why Tax Returns Are Needed.
- If Tax Returns Are Complete.

Understand Income Trending.

Introduction to the AMITRAC.

Analyze and Become Familiar With:

- 1040 Page 1.
- 1040 Page 2.
- 1040 Schedule 1.
- Schedule B.
- Schedule D.
- Schedule E.

New Schedules and How to Know If They are Needed



Schedule	Tax Year 2018		Tax Years 2019		Tax Year 2020	
	What's it for?	Where to look on the 1040.	What's it for?	Where to look on the 1040.	What's it for?	Where to look on the 1040.
Schedule 1	Additional Income and Adjustments to Income	Page 2, Line 6	Additional Income and Adjustments to Income	Page 1, Line 8a	Additional Income and Adjustments to Income	Page 1, Line 8 Important!
Schedule A	Itemized Deductions	Page 2, Line 8	Itemized Deductions	Page 1, Line 9	Itemized Deductions	Page 1, Line 12
deduction	Qualified Business Income Deduction	Page 2, Line 9	Qualified Business Income Deduction	Page 1, Line 10	Qualified Business Income Deduction	Page 1, Line 13
Schedule 2	Tax	Page 2, Line 11b	Additional Taxes	Page 2, Line 12b Page 2, Line 15	Additional Taxes	Page 2, Line 17 Page 2, Line 23
Schedule 3	Nonrefundable Credits	Page 2, Line 12b	Additional Credits & Payments	Page 2, Line 13b Page 2, Line 18d	Additional Credits & Payments	Page 2, Line 20 Page 2, Line 31
Schedule 4	Other Taxes	Page 2, Line 14	n/a		n/a	
Schedule 5	Other Payments and Refundable Credits	Page 2, Line 17	n/a		n/a	

The Fundamentals Overview



General Guidelines – Why Tax Returns?



- Independent third party.
- Typically uninflated.
- IRS transcripts.



When To Obtain Tax Returns



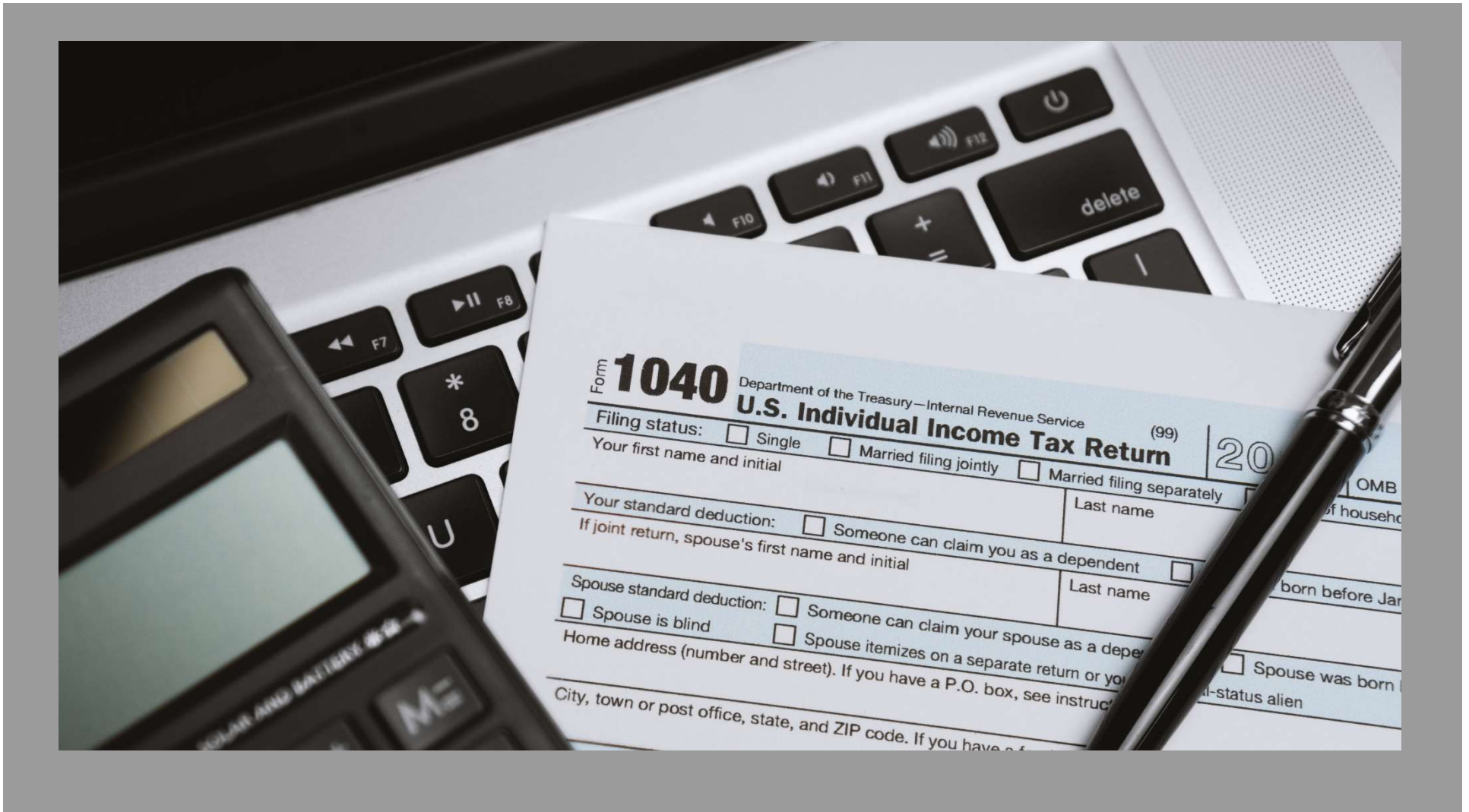
- Family member or interested third party.
- Temporary or periodic employment (or unemployment).
- Capital gains, royalties, real estate or other.
- Dividend or interest.
- Foreign income.
- Rental income from an investment property.
- Self-employed.
- Income that cannot otherwise be verified independently.
- Grossing up non-taxable income.

When Tax Returns Are Optional

- Alimony.
- Social security income.
- Trust income.
- Pension/retirement.
- Seasonal unemployment benefits.



Complete Tax Returns



1040 Page One



Form **1040** Department of the Treasury—Internal Revenue Service (99) **2020** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status Single Married filing jointly Married filing separately (MFS) Head of household (HOH) Qualifying widow(er) (QW)
 Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial Last name Your social security number
 If joint return, spouse's first name and middle initial Last name Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Presidential Election Campaign
 Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.
 You Spouse

City, town, or post office. If you have a foreign address, also complete spaces below. State ZIP code
 Foreign country name Foreign province/state/county Foreign postal code

At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? Yes No

Standard Deduction Someone can claim: You as a dependent Your spouse as a dependent
 Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: Were born before January 2, 1956 Are blind Spouse: Was born before January 2, 1956 Is blind

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

1	Wages, salaries, tips, etc. Attach Form(s) W-2	1
2a	Tax-exempt interest	2a
2b	Taxable interest	2b
3a	Qualified dividends	3a
3b	Ordinary dividends	3b
4a	IRA distributions	4a
4b	Taxable amount	4b
5a	Pensions and annuities	5a
5b	Taxable amount	5b
6a	Social security benefits	6a
6b	Taxable amount	6b
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ <input type="checkbox"/>	7
8	Other income from Schedule 1, line 9	8
9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9
10	Adjustments to income:	
a	From Schedule 1, line 22	10a
b	Charitable contributions if you take the standard deduction. See instructions	10b
c	Add lines 10a and 10b. These are your total adjustments to income	10c
11	Subtract line 10c from line 9. This is your adjusted gross income	11
12	Standard deduction or itemized deductions (from Schedule A)	12
13	Qualified business income deduction. Attach Form 8995 or Form 8995-A	13
14	Add lines 12 and 13	14
15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-	15

Attach Sch. B if required.

Standard Deduction for—
 • Single or Married filing separately, \$12,400
 • Married filing jointly or Qualifying widow(er), \$24,800
 • Head of household, \$18,650
 • If you checked any box under Standard Deduction, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2020)



1040 Page 2



Form 1040 (2020) Page **2**

16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16	
17	Amount from Schedule 2, line 3	17	
18	Add lines 16 and 17	18	
19	Child tax credit or credit for other dependents	19	
20	Amount from Schedule 3, line 7	20	
21	Add lines 19 and 20	21	
22	Subtract line 21 from line 18. If zero or less, enter -0-	22	
23	Other taxes, including self-employment tax, from Schedule 2, line 10	23	
24	Add lines 22 and 23. This is your total tax	24	
25	Federal income tax withheld from:		
	a Form(s) W-2	25a	
	b Form(s) 1099	25b	
	c Other forms (see instructions)	25c	
	d Add lines 25a through 25c	25d	
26	2020 estimated tax payments and amount applied from 2019 return	26	
27	Earned income credit (EIC)	27	
28	Additional child tax credit. Attach Schedule 8812	28	
29	American opportunity credit from Form 8863, line 8	29	
30	Recovery rebate credit. See instructions	30	
31	Amount from Schedule 3, line 13	31	
32	Add lines 27 through 31. These are your total other payments and refundable credits	32	
33	Add lines 25d, 26, and 32. These are your total payments	33	
34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid	34	
35a	Amount of line 34 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>	35a	
Direct deposit? See instructions.	b Routing number <input type="text"/> c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
	d Account number <input type="text"/>		
36	Amount of line 34 you want applied to your 2021 estimated tax	36	
37	Subtract line 33 from line 24. This is the amount you owe now	37	
38	Estimated tax penalty (see instructions)	38	

Refund

35a Amount of line 34 you want refunded to you. If Form 8888 is attached, check here

Direct deposit? See instructions.

b Routing number **c** Type: Checking Savings

d Account number

36 Amount of line 34 you want applied to your 2021 estimated tax **36**

Amount You Owe

37 Subtract line 33 from line 24. This is the **amount you owe now**

Note: Schedule H and Schedule SE filers, line 37 may not represent all of the taxes you owe for 2020. See Schedule 3, line 12e, and its instructions for details.

38 Estimated tax penalty (see instructions) **38**

Third Party Designee

Do you want to allow another person to discuss this return with the IRS? See instructions **Yes**. Complete below. **No**

Designee's name Phone no. Personal identification number (PIN)

Sign Here

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

Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.) <input type="text"/>

Phone no. Email address

Paid Preparer Use Only

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

Go to www.irs.gov/Form1040 for instructions and the latest information. Form **1040** (2020)



1040 Schedule 1



SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		<small>OMB No. 1545-0074</small> 2020 <small>Attachment Sequence No. 01</small>	
<small>Department of the Treasury Internal Revenue Service</small>		<small>▶ Attach to Form 1040, 1040-SR, or 1040-NR. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.</small>			
<small>Name(s) shown on Form 1040, 1040-SR, or 1040-NR</small>			<small>Your social security number</small>		
Part I Additional Income					
1	Taxable refunds, credits, or offsets of state and local income taxes	1			
2a	Alimony received	2a			
	b Date of original divorce or separation agreement (see instructions) ▶				
3	Business income or (loss). Attach Schedule C	3			←
4	Other gains or (losses). Attach Form 4797	4			←
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5			←
6	Farm income or (loss). Attach Schedule F	6			←
7	Unemployment compensation	7			
8	Other income. List type and amount ▶	8			
9	Combine lines 1 through 8. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	9			
Part II Adjustments to Income					
10	Educator expenses	10			
11	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	11			
12	Health savings account deduction. Attach Form 8889	12			
13	Moving expenses for members of the Armed Forces. Attach Form 3903	13			
14	Deductible part of self-employment tax. Attach Schedule SE	14			
15	Self-employed SEP, SIMPLE, and qualified plans	15			
16	Self-employed health insurance deduction	16			
17	Penalty on early withdrawal of savings	17			
18a	Alimony paid	18a			
	b Recipient's SSN				
	c Date of original divorce or separation agreement (see instructions) ▶				
19	IRA deduction	19			
20	Student loan interest deduction	20			
21	Tuition and fees deduction. Attach Form 8917	21			
22	Add lines 10 through 21. These are your adjustments to income . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10a	22			



How Do You Know If Schedule B Is Needed?

Form **1040** Department of the Treasury—Internal Revenue Service (99) **2020** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status Single Married filing jointly Married filing separately (MFS) Head of household (HOH) Qualifying widow(er) (QW)
 Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial	Last name	Your social security number
If joint return, spouse's first name and middle initial	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions.		Apt. no.
City, town, or post office. If you have a foreign address, also complete spaces below.		State ZIP code
Foreign country name	Foreign province/state/county	Foreign postal code

Presidential Election Campaign
 Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.
 You Spouse

Schedule B is required if the amount of Taxable Interest - OR - Ordinary Dividends exceeds \$1,500.

Dependents (see instructions):

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see instructions):	Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1 Wages, salaries, tips, etc. Attach Form(s) W-2	1
2a Tax-exempt interest	2b
3a Qualified dividends	3b
4a IRA distributions	4b
5a Pensions and annuities	5b

Attach Sch. B if required. →

How Do You Know If Schedule D Is Required?



Standard Deduction Someone can claim: You as a dependent Your spouse as a dependent
 Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: Were born before January 2, 1956 Are blind Spouse: Was born before January 2, 1956 Is blind

(1) First name		Last name		(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see instructions):	
						Child tax credit	Credit for other dependents
						<input type="checkbox"/>	<input type="checkbox"/>

Schedule D is required if there is an amount on Line 7 and the "box" is **NOT** checked.

3a	Qualified dividends	3a		b	Ordinary dividends	3b	
4a	IRA distributions	4a		b	Taxable amount	4b	
5a	Pensions and annuities	5a		b	Taxable amount	5b	
6a	Social security benefits	6a		b	Taxable amount	6b	
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here					7	<input type="checkbox"/>
8	Other income from Schedule 1, line 9					8	
9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income					9	
10	Adjustments to income:						
a	From Schedule 1, line 22	10a					
b	Charitable contributions if you take the standard deduction. See instructions	10b					
c	Add lines 10a and 10b. These are your total adjustments to income					10c	
11	Subtract line 10c from line 9. This is your adjusted gross income					11	
12	Standard deduction or itemized deductions (from Schedule A)					12	
13	Qualified business income deduction. Attach Form 8995 or Form 8995-A					13	
14	Add lines 12 and 13					14	
15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-					15	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form 1040 (2020)

1040 – Schedule E, Page 2



SCHEDULE E (Form 1040) Department of the Treasury Internal Revenue Service (99)	Supplemental Income and Loss (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.) ▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041. ▶ Go to www.irs.gov/ScheduleE for instructions and the latest information.	OMB No. 1545-0074 2020 Attachment Sequence No. 13
	Name(s) shown on return _____ Your social security number _____	

Schedule E (Form 1040) 2020 Attachment Sequence No. **13** Page **2**

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

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

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

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

28	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if basis computation is required	(f) Check if any amount is not at risk
A			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
B			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
C			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
D			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

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

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

24 Income. Add positive amounts shown on line 21. Do not include any losses	24	
25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here.	25	
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 5. Otherwise, include this amount in the total on line 41 on page 2	26	

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11344L Schedule E (Form 1040) 2020

1040 – Schedule E, Page 2



SCHEDULE E (Form 1040) Department of the Treasury Internal Revenue Service (99)	Supplemental Income and Loss (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.) ▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041. ▶ Go to www.irs.gov/ScheduleE for instructions and the latest information.	OMB No. 1545-0074 2020 Attachment Sequence No. 13
	Name(s) shown on return _____ Your social security number _____	

Schedule E (Form 1040) 2020 Attachment Sequence No. **13** Page **2**

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

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

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

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

28	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if basis computation is required	(f) Check if
A		P	<input type="checkbox"/>		<input type="checkbox"/>	
B			<input type="checkbox"/>		<input type="checkbox"/>	
C			<input type="checkbox"/>		<input type="checkbox"/>	
D			<input type="checkbox"/>		<input type="checkbox"/>	

Schedule K-1
(Form 11065)

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

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

24 **Income.** Add positive amounts shown on line 21. Do not include any losses. **24**

25 **Losses.** Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here. **25**

26 **Total rental real estate and royalty income or (loss).** Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 5. Otherwise, include this amount in the total on line 41 on page 2. **26**

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11344L Schedule E (Form 1040) 2020



1040 – Schedule E, Page 2



SCHEDULE E (Form 1040) Department of the Treasury Internal Revenue Service (99)	Supplemental Income and Loss (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.) ▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041. ▶ Go to www.irs.gov/ScheduleE for instructions and the latest information.	OMB No. 1545-0074 2020 Attachment Sequence No. 13
	Name(s) shown on return _____ Your social security number _____	

Schedule E (Form 1040) 2020 Attachment Sequence No. **13** Page **2**

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

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

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

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

28	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if basis computation is required	(f) Check if
A		S	<input type="checkbox"/>		<input type="checkbox"/>	
B			<input type="checkbox"/>		<input type="checkbox"/>	
C			<input type="checkbox"/>		<input type="checkbox"/>	
D			<input type="checkbox"/>		<input type="checkbox"/>	

Schedule K-1
(Form 1120-S)

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

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

24 Income. Add positive amounts shown on line 21. Do not include any losses. **24**

25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here. **25**

26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 5. Otherwise, include this amount in the total on line 41 on page 2. **26**

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11344L Schedule E (Form 1040) 2020

1040 Page 1

Contains Filing Information.



1040 Page 2

Review for Required Attachments and Schedules.



1040 Schedule 1

Review for Required Attachments and Schedules.



Schedule E

Review for K-1 (1120S or 1065) Requirement.



Knowledge Check One

Which of the following scenarios requires a Schedule B?

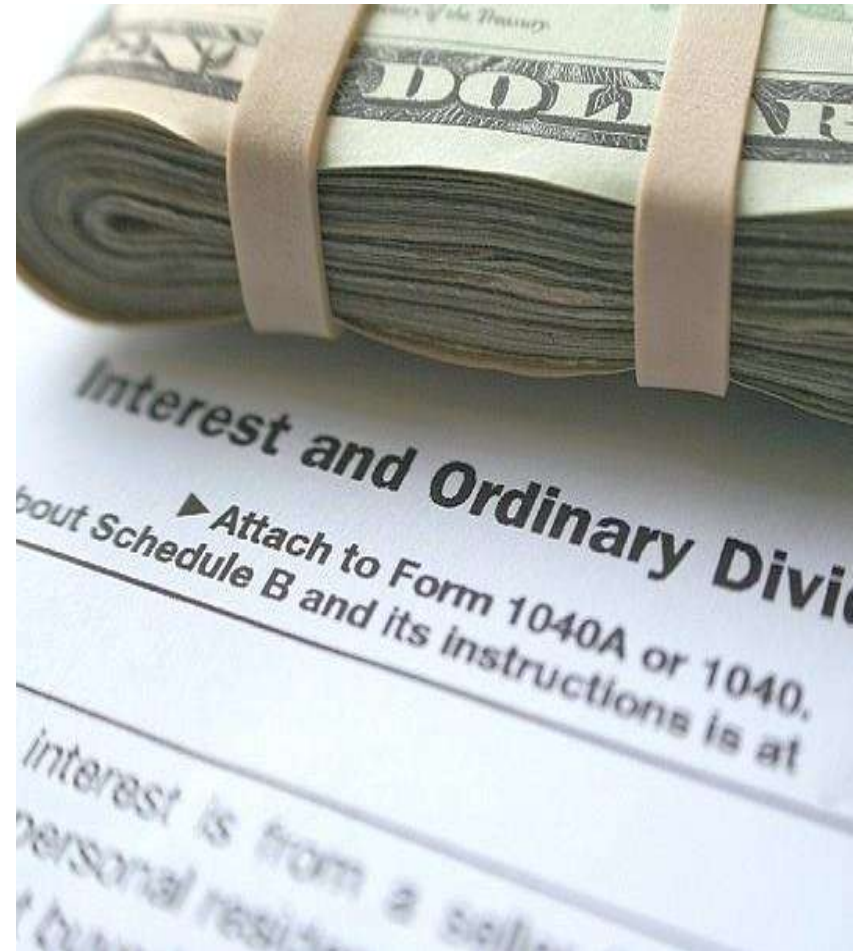
1. When the amount of dividend **or** interest received exceeds \$1,500.
2. When the **combined amounts** of dividend and interest received exceeds \$1,500.
3. **Any time** dividend or interest income is received.



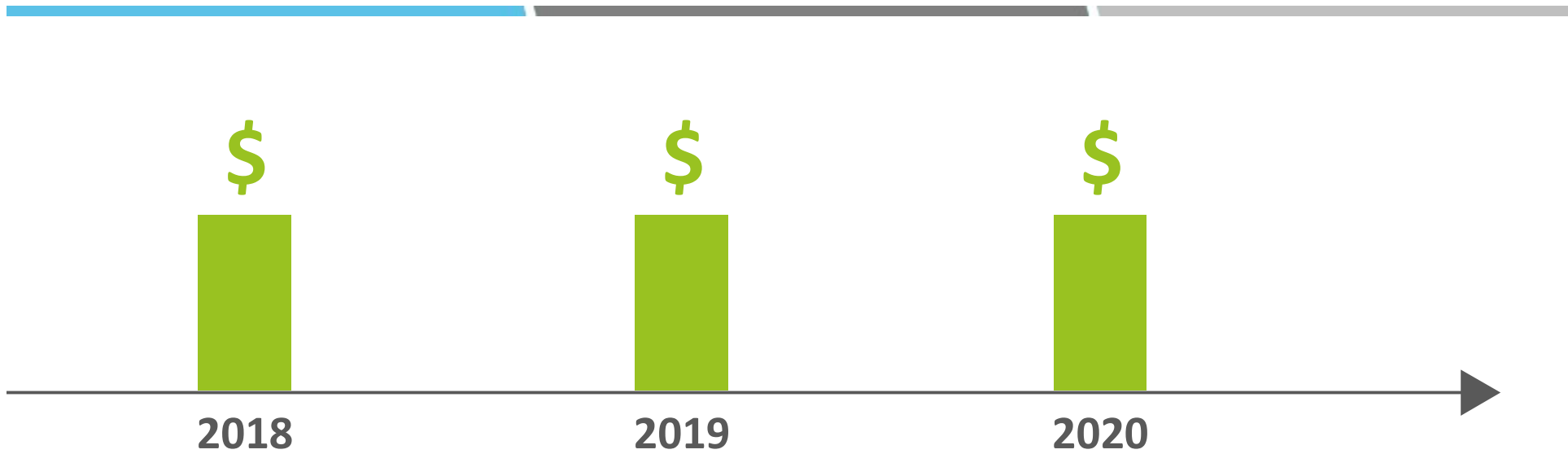
Check Your Understanding One

The answer is:

1. When the amount of dividends or interest received exceeds \$1,500.



Income Stability



History
Two years.

Continuance
Three years.

Three Years Continuance



Expiration Date
is NOT Defined

Expiration Date
IS Defined

Expiration Date Is NOT Defined

Lender does **NOT** need to document a three-year continuance.

Automobile allowance.

Base salary.

Bonus, overtime, commission, or tip income.

Capital gains income.*

Corporate retirement or pension.

Disability income – long-term.

Foster care income.

* *Capital Gains, Dividends and Interest Income Sources*

Expiration Date Is NOT Defined



Lender does **NOT** need to document a three-year continuance.

Interest & dividend income.*
(unless there is other evidence that asset will be depleted)

Military income.

Mortgage credit certificates.

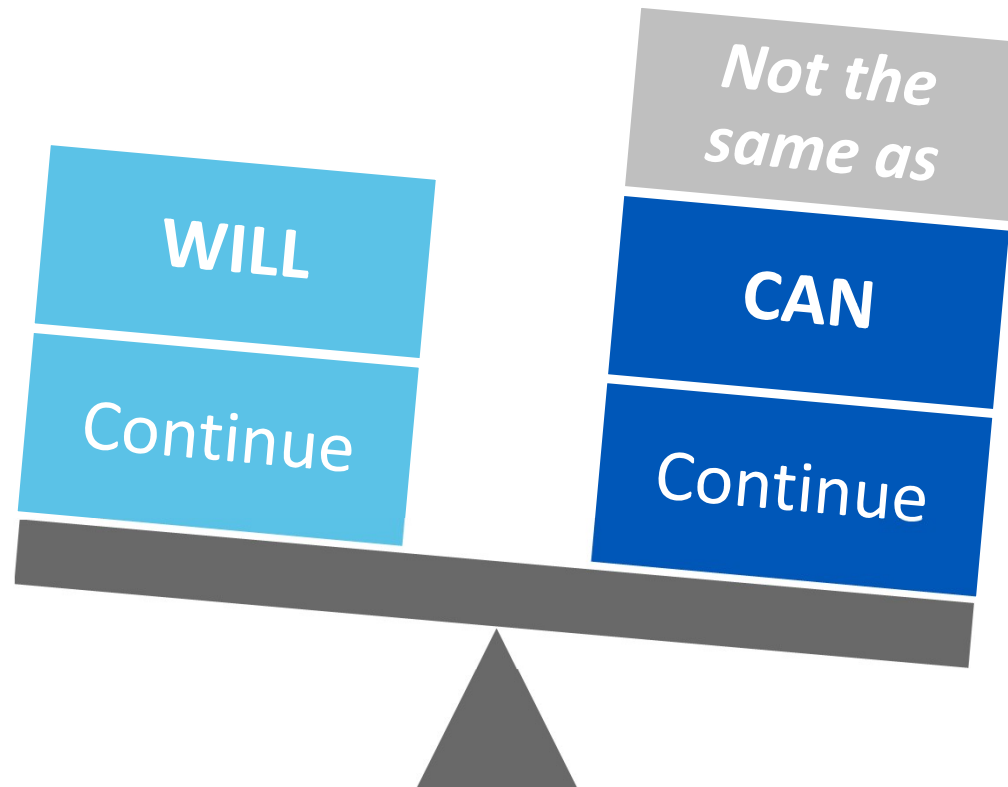
Part-time job, second job or seasonal income.

Rental income.

Social security, VA or other government retirement.

* *Capital Gains, Dividends and Interest Income Sources*

Expiration Date NOT Defined – Documentation Requirements



Expiration Date IS Defined

Lender
MUST
document a
three-year
continuance.

Alimony or child support.

Distributions from a retirement account.

(401(k), IRA, SEP, Keogh)

Mortgage differential payments.

Notes receivable.

Public assistance.

Expiration Date IS Defined



Lender
MUST
document a
three-year
continuance.

Royalty payment income.

Social Security.

(Not including retirement or long-term disability.)

Trust income.

VA Benefits.

(Not including retirement or long-term disability.)

Knowledge Check Two

Is the following **True** or **False**?

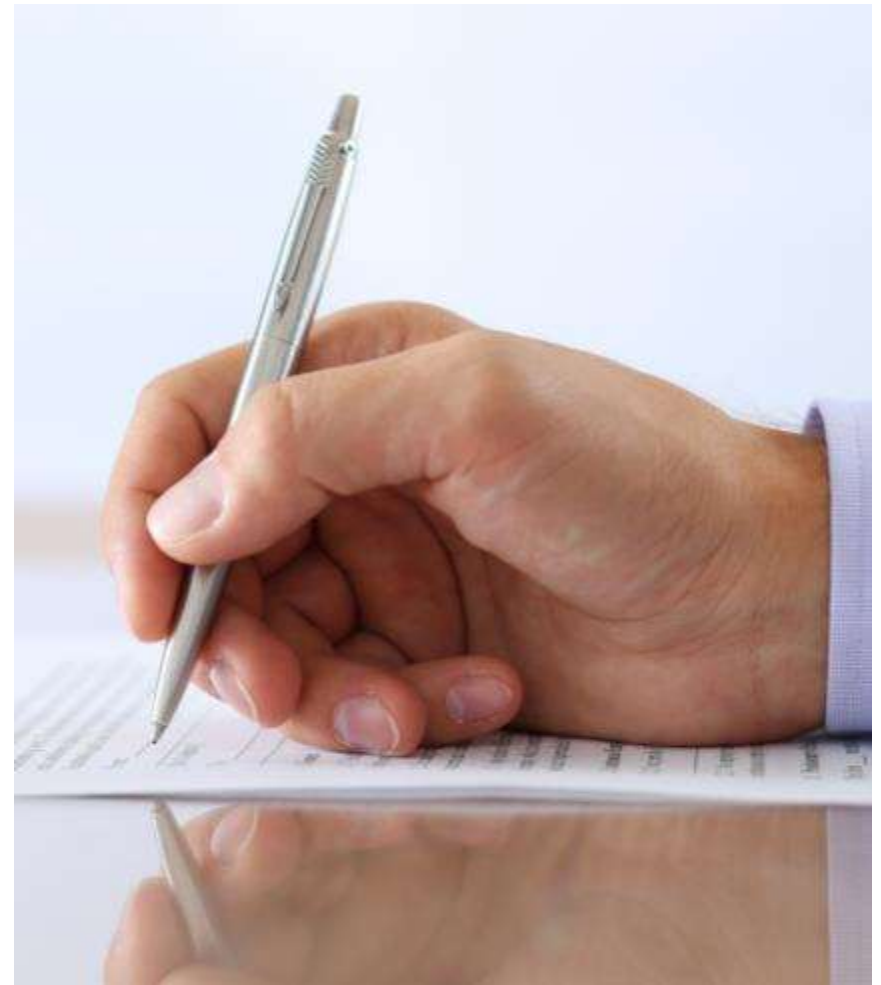
- Regardless of income type, it is always necessary to document proof of three years continuance if using income to qualify.



Check Your Understanding Two

The answer is *False*.

- Regardless of income type, it is NOT always necessary to document proof of three years continuance if using income to qualify.



Income Trending



Stable or Increasing

Average



Declining and Stabilized

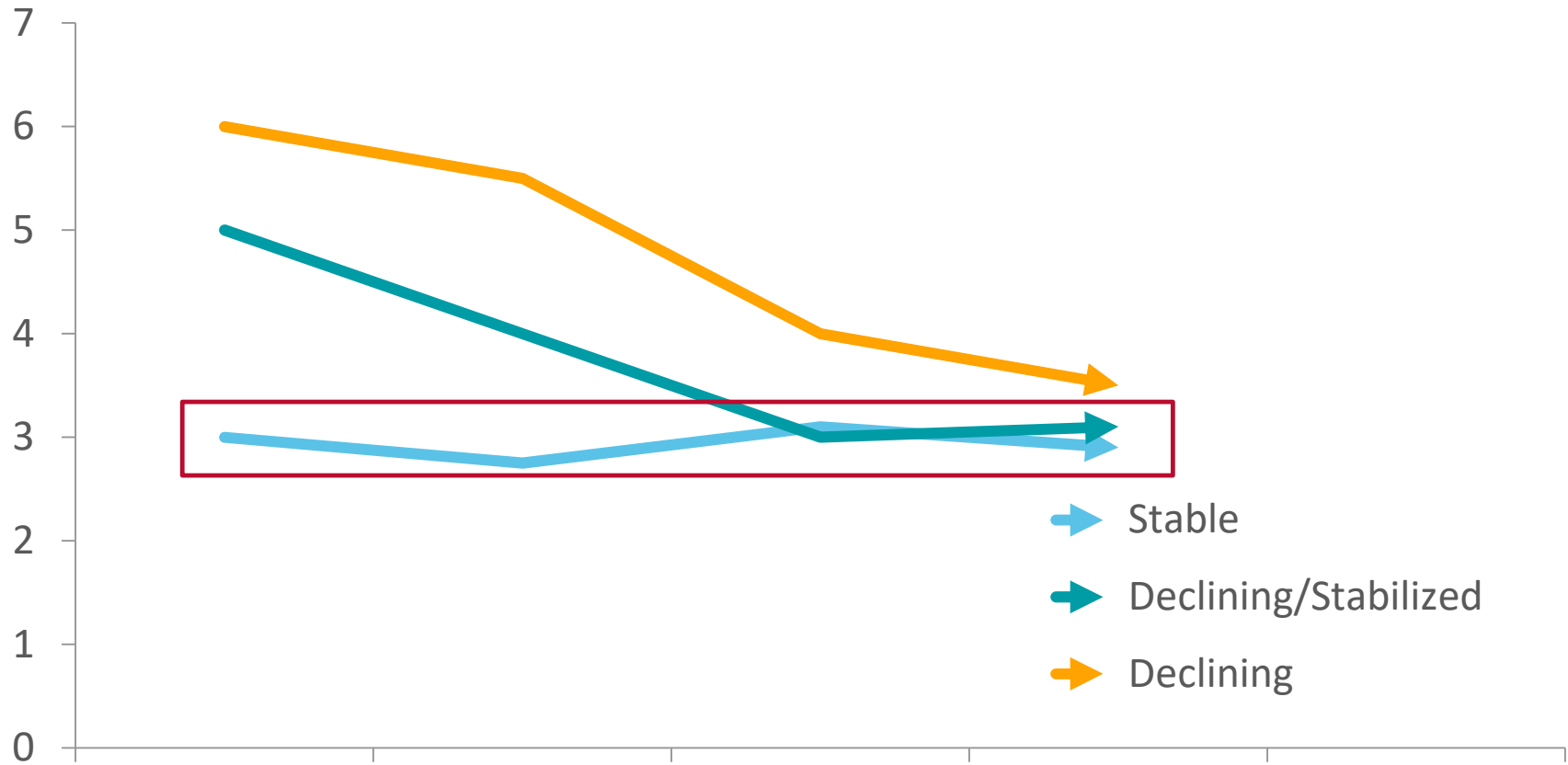
Use Current



Continually Declining

Do Not Use

Income Trending



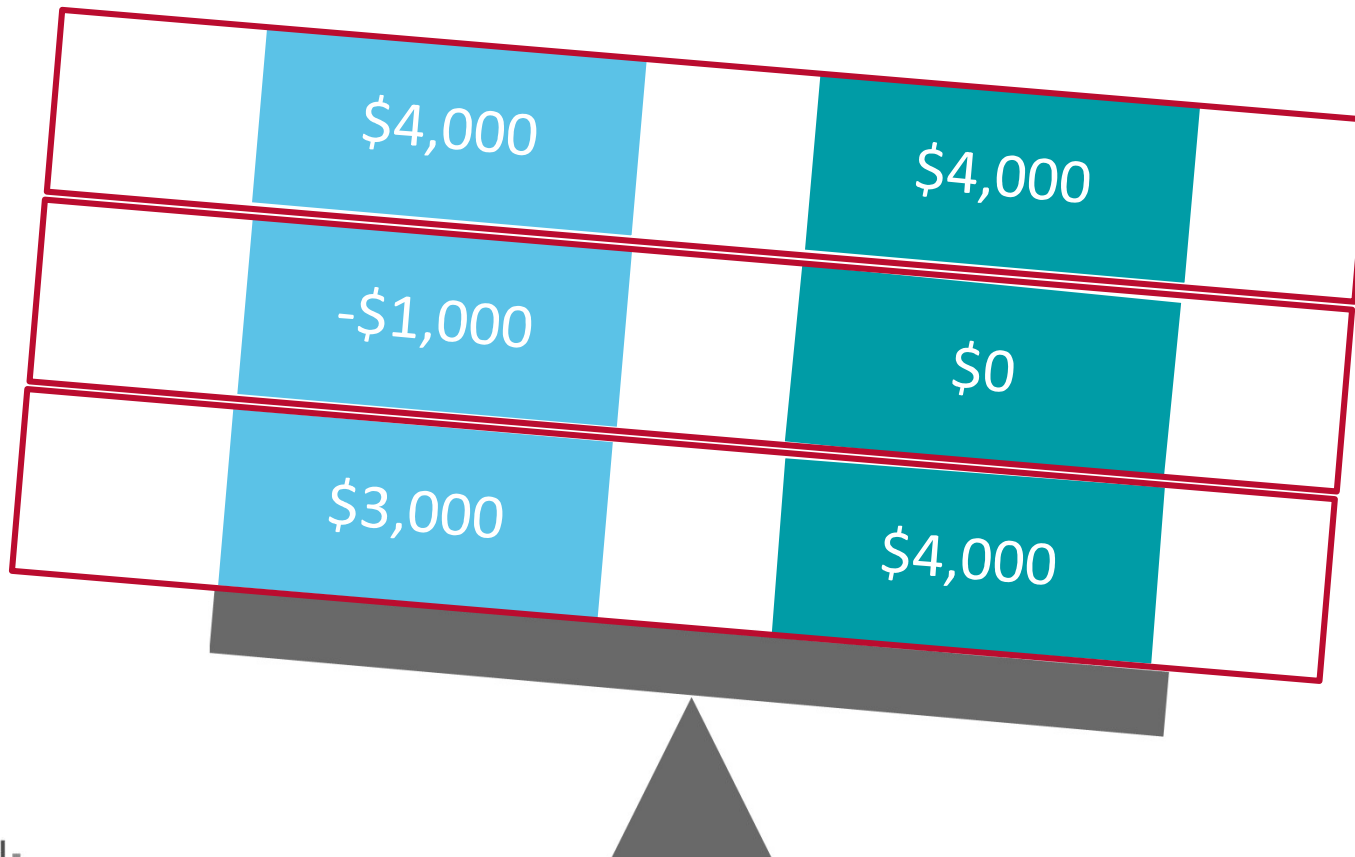
Non-Taxable Income

- Child support payments.
- Some Social Security benefits.
- Workers' Compensation benefits.
- Some public assistance payments.
- Food Stamps.

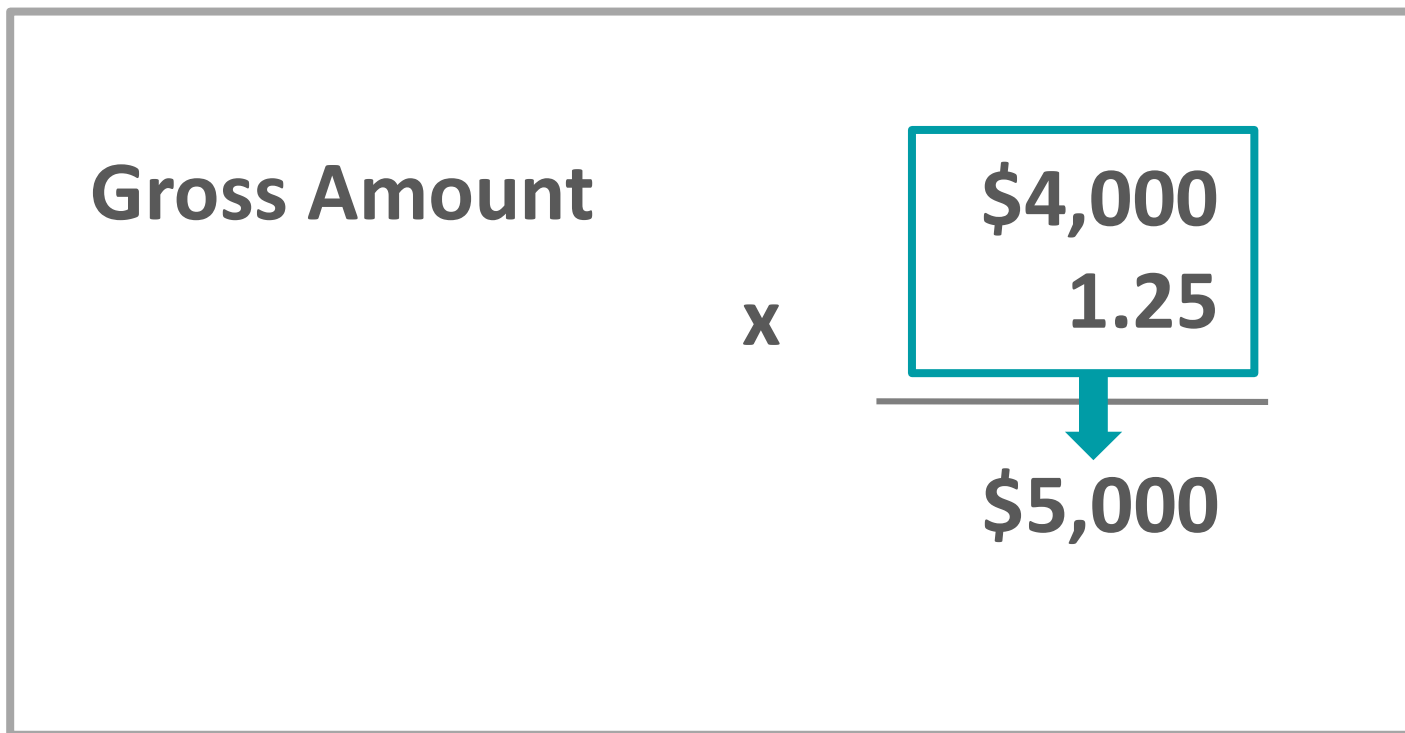


Non-Taxable Income

Taxable	Non-Taxable
---------	-------------

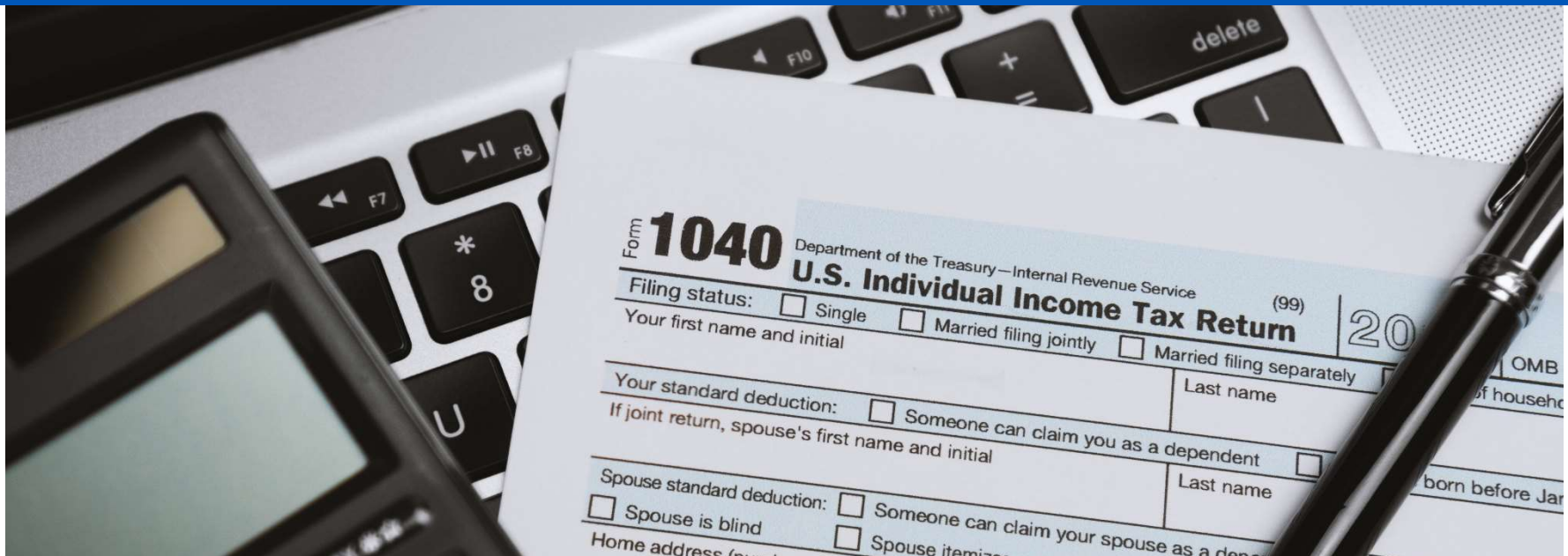


Grossing Up Non-Taxable Income



Non-Taxable Income

Before grossing up income, you must FIRST document that it is non-taxable (copies of 1040s).





Exceptions include military allowances and child support.

1040 Page 1
1040 Page 2
Schedule 1



Arch MI Tax Return Analysis Calculator (AMITRAC)



2020/2021 Arch MI Tax Return Analysis Calculator (AMITRAC)

01.30.21

Borrower(s) Name:
Tamara P. taxpayer

Loan Number:
A1B2C3

Please Note: **DO NOT** enter **ANY** numbers as negative (-), even if the indicated integer on the tax return is negative (-). The calculator will automatically subtract when indicated; simply be sure to enter data on the correct Calculator Line.

Unless specified, enter **ONLY** recurring income and losses.

Annual Trends are calculated by AVERAGING BOTH YEARS if income increases using MOST RECENT YEAR if income decreases.

Are you utilizing two years' tax returns? YES NO [click here for guidance](#)

Is this a Freddie Mac loan with corporate (1120) returns? YES NO [click here for guidance](#)

		Prior Year		Most Recent Year	
I Individual Tax Return (1040) including Schedule 1		2019		2020	
1	Variable Income not requiring year-to-date earnings click here for guidance	+	\$	+	\$
2	Tax-Exempt Interest click here for guidance	+	\$ 52.37	+	\$ 59.23
3	Alimony Received click here for guidance	+	\$ 6,000.00	+	\$ 6,000.00
Complete Both Lines 4 AND 5 of AMITRAC or Leave Both Lines Blank – See Guidance & Help Tab					
4	Received IRAs, Pensions and/or Annuities click here for guidance		\$		\$
5	Taxable IRAs, Pensions and/or Annuities click here for guidance		\$		\$
6	IRAs, Pensions and Annuities Qualifying Total click here for guidance	+	\$ 0.00	+	\$ 0.00
7	Unemployment Compensation click here for guidance	+	\$	+	\$
Complete Both Lines 8 AND 9 of AMITRAC or Leave Both Blank – See Guidance & Help Tab					
8	Received Social Security Benefits click here for guidance		\$		\$
9	Taxable Social Security Benefits click here for guidance		\$		\$
10	Social Security Benefits Qualifying Total click here for guidance	+	\$ 0.00	+	\$ 0.00
11	1040 / Schedule 1 Totals		\$ 6,052.37		\$ 6,059.23
12	Total 1040/Schedule 1 Annual Trend		\$6,055.80		

Amount of Change 6.86

Percentage of Change 0.11%

		2019		2020	
II	Employee Business Expenses (Form 2106)				
13	Unreimbursed Expenses click here for guidance	-	\$	-	\$
Complete Line 14 OR Line 16, NOT BOTH – See Guidance & Help Tab					
14	Form 2106 Business Miles click here for guidance <small>(enter only if Standard Mileage Rate was claimed)</small>		100,000		

▶ **Tax Return Income (Main)**
AMITRAC Guidance & Help
Liquidity Analysis
Comparative Income Analysis
Additional Sole Proprietorships



1040 Page 1

Attach Sch. B if required.	1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	28,327.26	
	2a	Tax-exempt interest	2a	59.23	
	3a	Qualified dividends	3a		
			b Taxable interest	2b	
			b Ordinary dividends	3b	254.47

Standard Deduction for— <ul style="list-style-type: none"> • Single or Married filing separately, \$12,400 • Married filing jointly or Qualifying widow(er), \$24,800 • Head of household, \$18,650 • If you checked any box under Standard Deduction, see instructions. 	4a	IRA distributions	
	5a	Pensions and annuities	
	6a	Social security benefits	
	7	Capital gain or (loss)	
	8	Other income from	
	9	Add lines 1, 2b, 3b, 7, 8, and 9	
	10	Adjustments to income	
	a	From Schedule 1, 10a, 10b, 10c, 10d, 10e, 10f, 10g, 10h, 10i, 10j, 10k, 10l, 10m, 10n, 10o, 10p, 10q, 10r, 10s, 10t, 10u, 10v, 10w, 10x, 10y, 10z	
	b	Charitable contributions	
	c	Add lines 10a and 10b	
	11	Subtract line 10c from line 9	
	12	Standard deduction	
	13	Qualified business income	
	14	Add lines 12 and 13	
	15	Taxable income. See instructions.	

a Employee's social security number		Safe, accurate, FAST! Use		Visit the IRS website at www.irs.gov/efile	
OMB No. 1545-0008		IRS e-file			
b Employer identification number (EIN)			1 Wages, tips, other compensation	2 Federal income tax withheld	
			28,327.26		
c Employer's name, address, and ZIP code					
Willoughby Beach Trinkets					
d Control number			3 Social security wages	4 Social security tax withheld	
			5 Medicare wages and tips	6 Medicare tax withheld	
			7 Social security tips	8 Allocated tips	
e Employee's first name and initial Last name Suffix			9	10 Dependent care benefits	
Tamara Taxpayer			11 Nonqualified plans	12a See instructions for box 12	
			13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b	
			14 Other	12c	
				12d	
f Employee's address and ZIP code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax
					20 Locality name

Form W-2 Wage and Tax Statement Copy B—To Be Filed With Employee's FEDERAL Tax Return. This information is being furnished to the Internal Revenue Service.		Department of the Treasury—Internal Revenue Service
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Attach Sch. B if required.	1	Wages, salaries, tips, etc. Attach Form(s) W-2		1	28,327.26		
	2a	Tax-exempt interest	2a	59.23	b Taxable interest	2b	171.35
	3a	Qualified dividends	3a		b Ordinary dividends	3b	254.47
	4a	IRA distributions	4a	10,217.76	b Taxable amount	4b	
	5a	Pensions and annuities	5a		b Taxable amount	5b	
	6a	Social security benefits	6a	672.41	b Taxable amount	6b	672.41
Standard Deduction for— <ul style="list-style-type: none"> • Single or Married filing separately, \$12,400 • Married filing jointly or Qualifying widow(er), \$24,800 • Head of household, \$18,650 • If you checked any box under Standard Deduction, see instructions. 	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here		<input type="checkbox"/>	7		
	8	Other income from Schedule 1, line 9			8		
	9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income			9		
	10	Adjustments to income:					
	a	From Schedule 1, line 22	10a				
	b	Charitable contributions if you take the standard deduction. See instructions	10b				
	c	Add lines 10a and 10b. These are your total adjustments to income			10c		
	11	Subtract line 10c from line 9. This is your adjusted gross income			11		
	12	Standard deduction or itemized deductions (from Schedule A)			12		
	13	Qualified business income deduction. Attach Form 8995 or Form 8995-A			13		
14	Add lines 12 and 13			14			
15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-			15			

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2020)

1040 Schedule 1



SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.		2020 Attachment Sequence No. 01
Name(s) shown on Form 1040, 1040-SR, or 1040-NR			Your social security number	
Part I Additional Income				
1	Taxable refunds, credits, or offsets of state and local income taxes	1		
2a	Alimony received	2a	6,000.00	
	b Date of original divorce or separation agreement (see instructions) ▶			
3	Business income or (loss). Attach Schedule C	3		
4	Other gains or (losses). Attach Form 4797	4		
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	187.44	
6	Farm income or (loss). Attach Schedule F	6	3,291.53	
7	Unemployment compensation	7	2,009.53	
8	Other income. List type and amount ▶	8		
9	Combine lines 1 through 8. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	9		
Part II Adjustments to Income				
10	Educator expenses	10		
11	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	11		
12	Health savings account deduction. Attach Form 8889	12		
13	Moving expenses for members of the Armed Forces. Attach Form 3903	13		
14	Deductible part of self-employment tax. Attach Schedule SE	14		
15	Self-employed SEP, SIMPLE, and qualified plans	15		
16	Self-employed health insurance deduction	16		
17	Penalty on early withdrawal of savings	17		
18a	Alimony paid	18a		
	b Recipient's SSN			
	c Date of original divorce or separation agreement (see instructions) ▶			
19	IRA deduction	19		
20	Student loan interest deduction	20		
21	Tuition and fees deduction. Attach Form 8917	21		
22	Add lines 10 through 21. These are your adjustments to income . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10a	22		



AMITRAC Scenario



2020/2021 Arch MI Tax Return Analysis Calculator (AMITRAC)

01.30.21

Borrower(s) Name: **Tamara P. taxpayer** Loan Number: **A1B2C3**

Please Note: **DO NOT** enter **ANY** numbers as negative (-), even if the indicated integer on the tax return is negative (-). The calculator will automatically subtract when indicated; simply be sure to enter data on the correct Calculator Line.

Unless specified, enter ONLY recurring income and losses.

Annual Trends are calculated by AVERAGING BOTH YEARS if income increases, using MOST RECENT YEAR if income decreases.

Are you utilizing two years' tax returns?

Is this a Freddie Mac loan with corporate (1120) returns? NO

[click here for guidance](#)

		Prior Year	Most Recent Year			
		2019		2020		
I	Individual Tax Return (1040) including Schedule 1					
1	Variable Income not requiring year-to-date earnings click here for guidance	+	\$	+	\$	
2	Tax-Exempt Interest click here for guidance	+	\$ 52.37	+	\$ 59.23	
3	Alimony Received click here for guidance	+	\$ 6,000.00	+	\$ 6,000.00	
Complete Both Lines 4 AND 5 of AMITRAC or Leave Both Lines Blank – See Guidance & Help Tab click here for guidance						
4	Received IRAs, Pensions and/or Annuities click here for guidance		\$		\$	
5	Taxable IRAs, Pensions and/or Annuities click here for guidance		\$		\$	
6	IRAs, Pensions and Annuities Qualifying Total click here for guidance	+	\$ 0.00	+	\$ 0.00	
7	Unemployment Compensation click here for guidance	+	\$	+	\$	
Complete Both Lines 8 AND 9 of AMITRAC or Leave Both Blank – See Guidance & Help Tab click here for guidance						
8	Received Social Security Benefits click here for guidance		\$		\$	
9	Taxable Social Security Benefits click here for guidance		\$		\$	
10	Social Security Benefits Qualifying Total click here for guidance	+	\$ 0.00	+	\$ 0.00	
11	1040 / Schedule 1 Totals		\$ 6,052.37		\$ 6,059.23	
12	Total 1040/Schedule 1 Annual Trend		\$6,055.80			
					Amount of Change	6.86
					Percentage of Change	0.11%



Attach Sch. B if required.	1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	28,327.26
	2a	Tax-exempt interest	2a	59.23
	2b	Taxable interest	2b	171.35
Standard Deduction for— • Single or Married filing separately, \$12,400 • Married filing jointly or Qualifying widow(er), \$24,800 • Head of household, \$18,650 • If you checked any box under Standard Deduction, see instructions.	3a	Qualified dividends	3a	
	3b	Ordinary dividends	3b	254.47
	4a	IRA distributions	4a	10,217.76
	4b	Taxable amount	4b	
	5a	Pensions and annuities	5a	
	5b	Taxable amount	5b	
	6a	Social security benefits	6a	672.41
	6b	Taxable amount	6b	672.41
	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	7	
	8	Other income from Schedule 1, line 9	8	
	9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9	
	10	Adjustments to income:		
	a	From Schedule 1, line 22	10a	
	b	Charitable contributions if you take the standard deduction. See instructions	10b	
	c	Add lines 10a and 10b. These are your total adjustments to income	10c	
	11	Subtract line 10c from line 9. This is your adjusted gross income	11	
	12	Standard deduction or itemized deductions (from Schedule A)	12	
	13	Qualified business income deduction. Attach Form 8995 or Form 8995-A	13	
	14	Add lines 12 and 13	14	
	15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-	15	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2020)

1040 Schedule 1



SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.		2020 Attachment Sequence No. 01
Name(s) shown on Form 1040, 1040-SR, or 1040-NR			Your social security number	
Part I Additional Income				
1	Taxable refunds, credits, or offsets of state and local income taxes	1		
2a	Alimony received	2a	6,000.00	
	b Date of original divorce or separation agreement (see instructions) ▶			
3	Business income or (loss). Attach Schedule C	3		
4	Other gains or (losses). Attach Form 4797	4		
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	187.44	
6	Farm income or (loss). Attach Schedule F	6	3,291.53	
7	Unemployment compensation	7	2,009.53	
8	Other income. List type and amount ▶	8		
9	Combine lines 1 through 8. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	9		
Part II Adjustments to Income				
10	Educator expenses	10		
11	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	11		
12	Health savings account deduction. Attach Form 8889	12		
13	Moving expenses for members of the Armed Forces. Attach Form 3903	13		
14	Deductible part of self-employment tax. Attach Schedule SE	14		
15	Self-employed SEP, SIMPLE, and qualified plans	15		
16	Self-employed health insurance deduction	16		
17	Penalty on early withdrawal of savings	17		
18a	Alimony paid	18a		
	b Recipient's SSN			
	c Date of original divorce or separation agreement (see instructions) ▶			
19	IRA deduction	19		
20	Student loan interest deduction	20		
21	Tuition and fees deduction. Attach Form 8917	21		
22	Add lines 10 through 21. These are your adjustments to income . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10a	22		



AMITRAC Scenario



2020/2021 Arch MI Tax Return Analysis Calculator (AMITRAC)

01.30.21

Borrower(s) Name: Tamara P. taxpayer	Loan Number: A1B2C3
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Please Note: **DO NOT** enter **ANY** numbers as negative (-), even if the indicated integer on the tax return is negative (-). The calculator will automatically subtract when indicated; simply be sure to enter data on the correct Calculator Line.

Unless specified, enter ONLY recurring income and losses.

Annual Trends are calculated by AVERAGING BOTH YEARS if income **increases** using MOST RECENT YEAR if income **decreases**.

Are you utilizing two years' tax returns?

Is this a Freddie Mac loan with corporate (1120) returns?

NO

[click here for guidance](#)

		Prior Year	Most Recent Year
Individual Tax Return (1040) including Schedule 1		2019	2020
1	Variable Income not requiring year-to-date earnings click here for guidance	+ \$	+ \$
2	Tax-Exempt Interest click here for guidance	+ \$ 52.37	+ \$ 59.23
3	Alimony Received click here for guidance	+ \$ 6,000.00	+ \$ 6,000.00
Complete Both Lines 4 AND 5 of AMITRAC or Leave Both Lines Blank – See Guidance & Help Tab click here for guidance			
4	Received IRAs, Pensions and/or Annuities click here for guidance	\$ 9,816.82	\$ 10,217.76
5	Taxable IRAs, Pensions and/or Annuities click here for guidance	\$ 0.00	\$ 0.00
6	IRAs, Pensions and Annuities Qualifying Total click here for guidance	+ \$ 12,271.03	+ \$ 12,772.20
7	Unemployment Compensation click here for guidance	+ \$	+ \$
Complete Both Lines 8 AND 9 of AMITRAC or Leave Both Blank – See Guidance & Help Tab click here for guidance			
8	Received Social Security Benefits click here for guidance	\$ 598.32	\$ 672.41
9	Taxable Social Security Benefits click here for guidance	\$ 598.32	\$ 672.41
10	Social Security Benefits Qualifying Total click here for guidance	+ \$ 598.32	+ \$ 672.41
11	1040 / Schedule 1 Totals	\$ 18,921.72	\$ 19,503.84
12	Total 1040/Schedule 1 Annual Trend	\$19,212.78	

Amount of Change 582.13
Percentage of Change 3.08%



Form 2106 Unreimbursed Expenses



Form 2106



Form 2106	Employee Business Expenses	OMB No. 1545-0074
Department of the Treasury Internal Revenue Service (99)	(for use only by Armed Forces reservists, qualified performing artists, fee-basis state or local government officials, and employees with impairment-related work expenses)	2020
	▶ Attach to Form 1040, 1040-SR, or 1040-NR. ▶ Go to www.irs.gov/Form2106 for instructions and the latest information.	Attachment Sequence No. 129
Your name	Occupation in which you incurred expenses	Social security number
Part I Employee Business Expenses and Reimbursements		
Step 1 Enter Your Expenses		
	Column A Other Than Meals	Column B Meals
1 Vehicle expense from line 22 or line 29. (Rural mail carriers: See instructions.)	1	
2 Parking fees, tolls, and transportation, including train, bus, etc., that didn't involve overnight travel or commuting to and from work.	2	
3 Travel expense while away from home overnight, including lodging, airplane, car rental, etc. Don't include meals.	3	
4 Business expenses not included on lines 1 through 3. Don't include meals.	4	
5 Meals expenses (see instructions).	5	
6 Total expenses. In Column A, add lines 1 through 4 and enter the result. In Column B, enter the amount from line 5.	6	
Note: If you weren't reimbursed for any expenses in Step 1, skip line 7 and enter the amount from line 6 on line 8.		
Step 2 Enter Reimbursements Received From Your Employer for Expenses Listed in Step 1		
7 Enter reimbursements received from your employer that weren't reported to you in box 1 of Form W-2. Include any reimbursements reported under code "L" in box 12 of your Form W-2 (see instructions).	7	
Step 3 Figure Expenses To Deduct		
8 Subtract line 7 from line 6. If zero or less, enter -0-. However, if line 7 is greater than line 6 in Column A, report the excess as income on Form 1040 or 1040-SR, line 1 (or on Form 1040-NR, line 1a).	8	
Note: If both columns of line 8 are zero, you can't deduct employee business expenses. Stop here and attach Form 2106 to your return.		
9 In Column A, enter the amount from line 8. In Column B, multiply line 8 by 50% (0.50).	9	
10 Add the amounts on line 9 of both columns and enter the total here. Also, enter the total on Schedule 1 (Form 1040), line 11. Employees with impairment-related work expenses, see the instructions for rules on where to enter the total on your return.	10	
For Paperwork Reduction Act Notice, see your tax return instructions.		
Cat. No. 11700N		Form 2106 (2020)



Knowledge Check Three

Is the following **True** or **False**?

- Before grossing up income, you must first document that it is non-taxable.



Check Your Understanding Three

The answer is **True**.

- Before grossing up income, you must first document that it is non-taxable (copies of 1040s).



Exceptions include military allowances and child support.

Schedule B

Dividend and Interest



Attach Sch. B if required.	1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	28,327.26
	2a	Tax-exempt interest	2a	59.23
			b	Taxable interest
			2b	171.35
	3a	Qualified dividends	3a	
			b	Ordinary dividends
			3b	254.47
	4a	IRA distributions	4a	10,217.76
			b	Taxable amount
			4b	
	5a	Pensions and annuities	5a	
			b	Taxable amount
			5b	
	6a	Social security benefits	6a	672.41
			b	Taxable amount
			6b	672.41
	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	7	
	8	Other income from Schedule 1, line 9	8	
	9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9	
	10	Adjustments to income:		
	a	From Schedule 1, line 22	10a	
	b	Charitable contributions if you take the standard deduction. See instructions	10b	
	c	Add lines 10a and 10b. These are your total adjustments to income	10c	
	11	Subtract line 10c from line 9. This is your adjusted gross income	11	
	12	Standard deduction or itemized deductions (from Schedule A)	12	
	13	Qualified business income deduction. Attach Form 8995 or Form 8995-A	13	
	14	Add lines 12 and 13	14	
	15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-	15	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2020)

AMITRAC Scenario



2020/2021 Arch MI Tax Return Analysis Calculator (AMITRAC)

01.30.21

Borrower(s) Name: Tamara P. taxpayer	Loan Number: A1B2C3
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Please Note: **DO NOT** enter **ANY** numbers as negative (-), even if the indicated integer on the tax return is negative (-). The calculator will automatically subtract when indicated; simply be sure to enter data on the correct Calculator Line.

Unless specified, enter ONLY recurring income and losses.

Annual Trends are calculated by AVERAGING BOTH YEARS if income **increases** using MOST RECENT YEAR if income **decreases**.

Are you utilizing two years' tax returns?

Is this a Freddie Mac loan with corporate (1120) returns?

NO

[click here for guidance](#)

III	Interest and Dividends (Schedule B)		2019		2020
19	Taxable Interest	click here for guidance	\$ 153.87	+	\$ 171.35
20	Ordinary Dividends	click here for guidance	\$	+	\$
21	Schedule B Totals		\$ 153.87	\$	171.35
22	Total Interest and Dividends Annual Trend		\$162.61		

Amount of Change 17.48
Percentage of Change 11.36%



Schedule B – Part II



SCHEDULE B (Form 1040)		Interest and Ordinary Dividends		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service (99)		▶ Go to www.irs.gov/ScheduleB for instructions and the latest information. ▶ Attach to Form 1040 or 1040-SR.		2020 Attachment Sequence No. 08	
Name(s) shown on return			Your social security number		
Part I			Amount		
Interest					
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 ▶					
(See instructions and the instructions for Forms 1040 and 1040-SR, line 2b.)					
Note: If you received a Form 1099-INT, Form 1099-DIV, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.					
2 Add the amounts on line 1			2		
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		
Note: If line 4 is over \$1,500, you must complete Part III.			Amount		
Part II					
Ordinary Dividends					
5 List name of payer ▶					
(See instructions and the instructions for Forms 1040 and 1040-SR, 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.					
6 Add the amounts on line 5. Enter the total here and on Form 1040 or 1040-SR, line 3b ▶			6		
Note: If line 6 is over \$1,500, you must complete Part III.					
Part III					
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.			Yes		No
Foreign Accounts and Trusts					
7a At any time during 2020, 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					
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					
Caution: If required, failure to file FinCEN Form 114 may result in substantial penalties. See instructions.					
b If you are required to file FinCEN Form 114, enter the name of the foreign country where the financial account is located ▶					
8 During 2020, 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					
For Paperwork Reduction Act Notice, see your tax return instructions.			Cat. No. 17146N		Schedule B (Form 1040) 2020



Attach Sch. B if required.	1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	28,327.26
	2a	Tax-exempt interest	2a	59.23
	3a	Qualified dividends	3a	
	3b	Ordinary dividends	3b	254.47
	4a	IRA distributions	4a	10,217.76
	5a	Pensions and annuities	5a	
	6a	Social security benefits	6a	672.41
	6b	Taxable amount	6b	672.41
	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	7	
	8	Other income from Schedule 1, line 9	8	
	9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9	
	10	Adjustments to income:		
	a	From Schedule 1, line 22	10a	
	b	Charitable contributions if you take the standard deduction. See instructions	10b	
	c	Add lines 10a and 10b. These are your total adjustments to income	10c	
	11	Subtract line 10c from line 9. This is your adjusted gross income	11	
	12	Standard deduction or itemized deductions (from Schedule A)	12	
	13	Qualified business income deduction. Attach Form 8995 or Form 8995-A	13	
	14	Add lines 12 and 13	14	
	15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-	15	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2020)



Schedule B – Qualified Dividends

Attach Sch. B if required.	1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	
	2a	Tax-exempt interest	2a	b Taxable interest
	3a	Qualified dividends	3a	b Ordinary dividends
	4a	IRA distributions	4a	b Taxable amount

- Subset of ordinary dividends that enjoy preferential tax treatment.
- Treated as capital gains for tax purposes.



AMITRAC Scenario

2020/2021 Arch MI Tax Return Analysis Calculator (AMITRAC)

01.30.21

Borrower(s) Name:
Tamara P. Taxpayer
Loan Number:
A1B2C3

Please Note: **DO NOT** enter **ANY** numbers as negative (-), even if the indicated integer on the tax return is negative (-). The calculator will automatically subtract when indicated; simply be sure to enter data on the correct Calculator Line.

Unless specified, enter **ONLY** recurring income and losses.

Annual Trends are calculated by AVERAGING BOTH YEARS if income **increases** using MOST RECENT YEAR if income **decreases**.

Are you utilizing two years' tax returns?

Is this a Freddie Mac loan with corporate (1120) returns? NO [click here for guidance](#)

III	Interest and Dividends (Schedule B)		2019		2020	
19	Taxable Interest click here for guidance	+ \$	153.87	+ \$	171.35	
20	Ordinary Dividends click here for guidance	+ \$	236.98	+ \$	254.47	
21	Schedule B Totals	\$	390.85	\$	425.82	Amount of Change 34.97
22	Total Interest and Dividends Annual Trend		\$408.34			Percentage of Change 8.95%

Schedule D Capital Gains



Schedule D – Capital Gains

A profit from
the SALE
of property or an
investment.



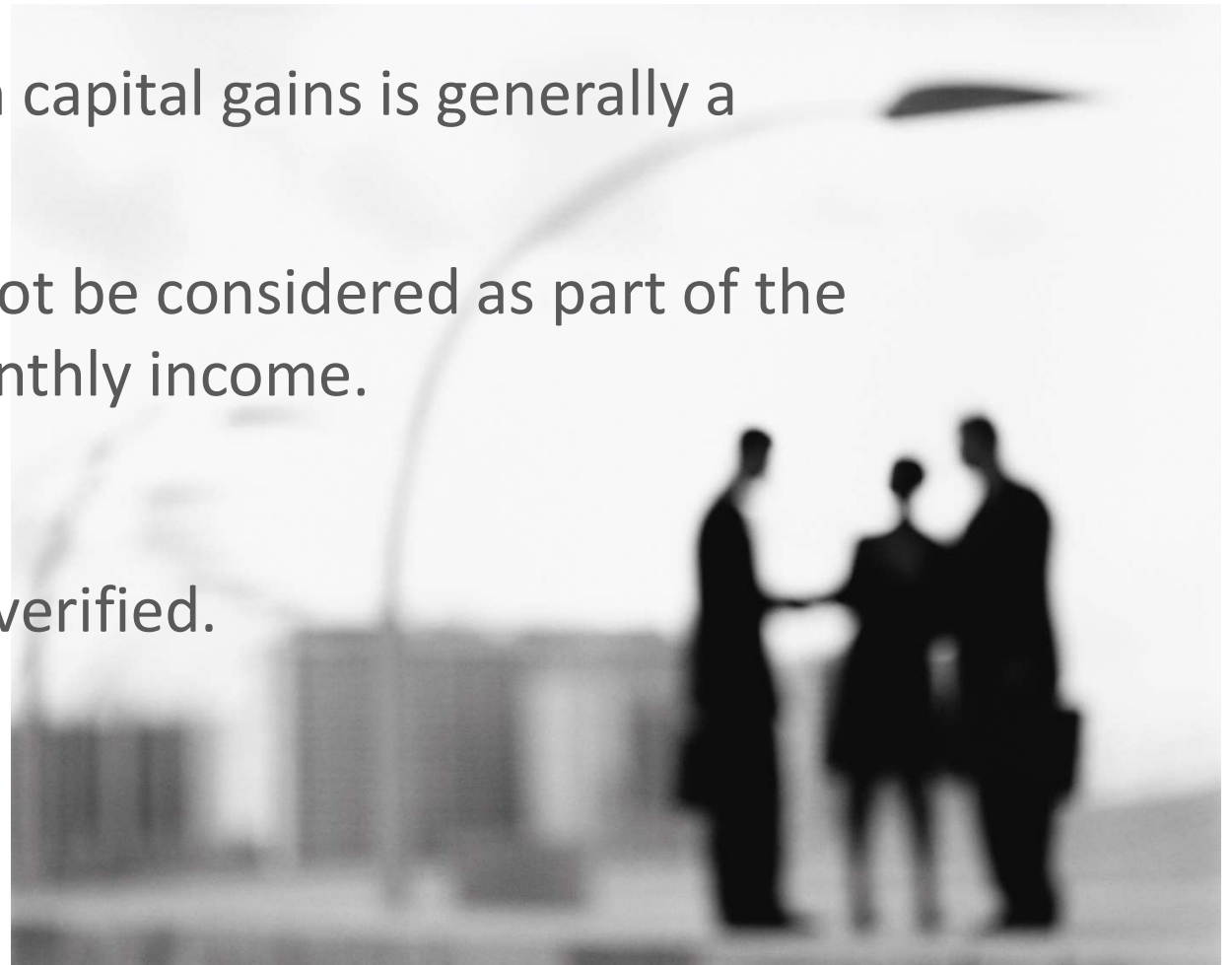
Schedule D – Capital Gains

Income received from capital gains is generally a one-time transaction.

Therefore, it should not be considered as part of the borrower's stable monthly income.

However...

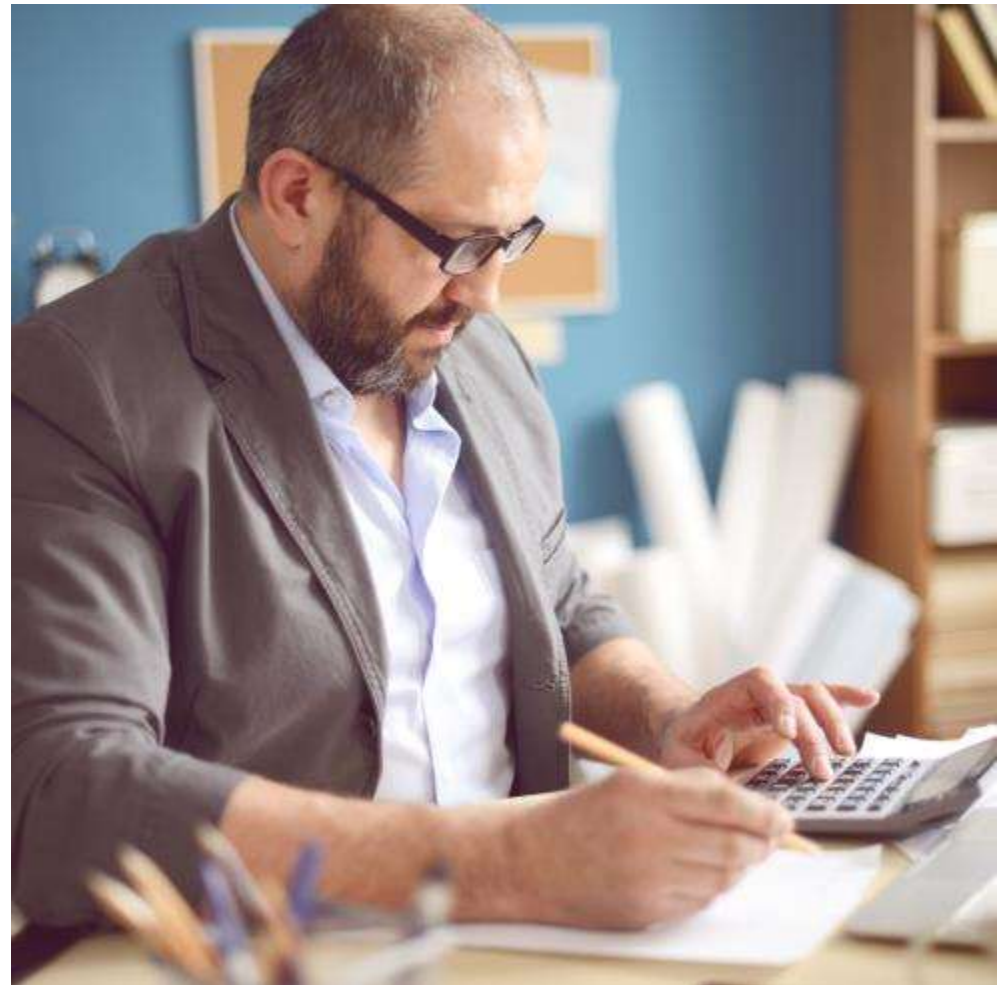
To qualify, it must be verified.



Schedule D – Capital Gains

Capital gains income can be used if:

- You can document a two-year history.
- You average the income.
- You have evidence of additional property or assets that can be sold.



Schedule D – Capital Losses



Capital losses do not have to be considered when calculating income or liabilities, even if the losses are recurring.*



**Fannie Mae Selling Guide B3-3.1-09.....*

Schedule D – Part I



SCHEDULE D (Form 1040) Capital Gains and Losses

OMB No. 1545-0074

2020

Department of the Treasury Internal Revenue Service (99)

► Attach to Form 1040, 1040-SR, or 1040-NR.
► Go to www.irs.gov/ScheduleD for instructions and the latest information.
► Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.

Attachment Sequence No. 12

Name(s) shown on return _____ Your social security number _____

Did you dispose of any investment(s) in a qualified opportunity fund during the tax year? Yes No
If "Yes," attach Form 8949 and see its instructions for additional requirements for reporting your gain or loss.

Part I Short-Term Capital Gains and Losses—Generally Assets Held One Year or Less (see instructions)

See instructions for how to figure the amounts to enter on the lines below.
This form may be easier to complete if you round off cents to whole dollars.

	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
1a Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b				
1b Totals for all transactions reported on Form(s) 8949 with Box A checked				
2 Totals for all transactions reported on Form(s) 8949 with Box B checked				
3 Totals for all transactions reported on Form(s) 8949 with Box C checked				
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824				4
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1				5
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your Capital Loss Carryover Worksheet in the instructions				6 ()
7 Net short-term capital gain or (loss). Combine lines 1a through 6 in column (h). If you have any long-term capital gains or losses, go to Part II below. Otherwise, go to Part III on the back				7

Part II Long-Term Capital Gains and Losses—Generally Assets Held More Than One Year (see instructions)

See instructions for how to figure the amounts to enter on the lines below.
This form may be easier to complete if you round off cents to whole dollars.

	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
8a Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b				
8b Totals for all transactions reported on Form(s) 8949 with Box D checked				
9 Totals for all transactions reported on Form(s) 8949 with Box E checked				
10 Totals for all transactions reported on Form(s) 8949 with Box F checked				
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824				11
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1				12
13 Capital gain distributions. See the instructions				13
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet in the instructions				14 ()
15 Net long-term capital gain or (loss). Combine lines 8a through 14 in column (h). Then, go to Part III on the back				15

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 11338H Schedule D (Form 1040) 2020



Schedule D – Part II



SCHEDULE D (Form 1040)		Capital Gains and Losses			OMB No. 1545-0074
Department of the Treasury Internal Revenue Service (99)		Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/ScheduleD for instructions and the latest information. Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.			2020 Attachment Sequence No. 12
Name(s) shown on return		Your social security number			
Did you dispose of any investment(s) in a qualified opportunity fund during the tax year? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," attach Form 8949 and see its instructions for additional requirements for reporting your gain or loss.					
Part I Short-Term Capital Gains and Losses—Generally Assets Held One Year or Less (see instructions)					
See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.		(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
1a Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b .					
1b Totals for all transactions reported on Form(s) 8949 with Box A checked .					
2 Totals for all transactions reported on Form(s) 8949 with Box B checked .					
3 Totals for all transactions reported on Form(s) 8949 with Box C checked .					
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824 .					4
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 .					5
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your Capital Loss Carryover Worksheet in the instructions .					6 ()
7 Net short-term capital gain or (loss). Combine lines 1a through 6 in column (h). If you have any long-term capital gains or losses, go to Part II below. Otherwise, go to Part III on the back .					7
Part II Long-Term Capital Gains and Losses—Generally Assets Held More Than One Year (see instructions)					
See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.		(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
8a Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b .					
8b Totals for all transactions reported on Form(s) 8949 with Box D checked .					
9 Totals for all transactions reported on Form(s) 8949 with Box E checked .					
10 Totals for all transactions reported on Form(s) 8949 with Box F checked .					
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824 .					11
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 .					12
13 Capital gain distributions. See the instructions .					13
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet in the instructions .					14 ()
15 Net long-term capital gain or (loss). Combine lines 8a through 14 in column (h). Then, go to Part III on the back .					15



Schedule D – Part III

Schedule D (Form 1040) 2020 Page **2**

Part III Summary

<p>16 Combine lines 7 and 15 and enter the result</p> <ul style="list-style-type: none"> • If line 16 is a gain, enter the amount from line 16 on Form 1040, 1040-SR, or 1040-NR, line 7. Then, go to line 17 below. • If line 16 is a loss, skip lines 17 through 20 below. Then, go to line 21. Also be sure to complete line 22. • If line 16 is zero, skip lines 17 through 21 below and enter -0- on Form 1040, 1040-SR, or 1040-NR, line 7. Then, go to line 22. <p>17 Are lines 15 and 16 both gains? <input type="checkbox"/> Yes. Go to line 18. <input type="checkbox"/> No. Skip lines 18 through 21, and go to line 22.</p> <p>18 If you are required to complete the 28% Rate Gain Worksheet (see instructions), enter the amount, if any, from line 7 of that worksheet ▶</p> <p>19 If you are required to complete the Unrecaptured Section 1250 Gain Worksheet (see instructions), enter the amount, if any, from line 18 of that worksheet ▶</p> <p>20 Are lines 18 and 19 both zero or blank and are you not filing Form 4952? <input type="checkbox"/> Yes. Complete the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Forms 1040 and 1040-SR, line 16. Don't complete lines 21 and 22 below. <input type="checkbox"/> No. Complete the Schedule D Tax Worksheet in the instructions. Don't complete lines 21 and 22 below.</p> <p>21 If line 16 is a loss, enter here and on Form 1040, 1040-SR, or 1040-NR, line 7, the smaller of: <ul style="list-style-type: none"> • The loss on line 16; or • (\$3,000), or if married filing separately, (\$1,500)) <p>Note: When figuring which amount is smaller, treat both amounts as positive numbers.</p> <p>22 Do you have qualified dividends on Form 1040, 1040-SR, or 1040-NR, line 3a? <input type="checkbox"/> Yes. Complete the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Forms 1040 and 1040-SR, line 16. <input type="checkbox"/> No. Complete the rest of Form 1040, 1040-SR, or 1040-NR.</p> </p>	<p>16</p> <hr/> <p>18</p> <hr/> <p>19</p> <hr/> <p>21</p> <hr/>
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Schedule D (Form 1040) 2020

Knowledge Check Four

Is the following **True** or **False**?

- If the borrower has capital gains on Schedule D, you always include it in the qualifying income.





Check Your Understanding Four

The answer is *False*.

- If the borrower has capital gains on Schedule D, you do NOT always include it in the qualifying income.



AMITRAC Scenario

2020/2021 Arch MI Tax Return Analysis Calculator (AMITRAC)

01.30.21

Borrower(s) Name:
Tamara P. Taxpayer
Loan Number:
A1B2C3

Please Note: **DO NOT** enter **ANY** numbers as negative (-), even if the indicated integer on the tax return is negative (-). The calculator will automatically subtract when indicated; simply be sure to enter data on the correct Calculator Line.

Unless specified, enter **ONLY** recurring income and losses.

Annual Trends are calculated by AVERAGING BOTH YEARS if income **increases** using MOST RECENT YEAR if income **decreases**.

Are you utilizing two years' tax returns?
 YES NO [click here for guidance](#)

Is this a Freddie Mac loan with corporate (1120) returns? YES NO

V	Capital Gains or Loss (Schedule D)		2019		2020
38	Capital Gains click here for guidance	+	\$	+	\$
39	Capital Losses <i>(if required by Investor Guidelines)</i> click here for guidance	-	\$	-	\$
40	Schedule D Totals		\$ 0.00		\$ 0.00
41	Total Capital Gains/Losses Annual Trend				\$0.00

Schedule E Rental Income



Rental Income Example



SCHEDULE E
(Form 1040)

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

OMB No. 1545-0074
2020
Attachment Sequence No. 13

Department of the Treasury
Internal Revenue Service (99)

► Attach to Form 1040, 1040-SR, 1040-NR, or 1041.
► Go to www.irs.gov/ScheduleE for instructions and the latest information.

Name(s) shown on return _____ Your social security number _____

Part I **Income or Loss From Rental Real Estate and Royalties** Note: If you are in the business of renting personal property, use Schedule C. See instructions. If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.

A Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions Yes No
B If "Yes," did you or will you file required Form(s) 1099? Yes No

1a Physical address of each property (street, city, state, ZIP code)

A 1 Main Street
B 2 Beach Road
C 3 Mountain Avenue

	1b Type of Property (from list below)	2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.	Fair Rental Days		Personal Use Days	QJV
			A	B		
A	1		365			<input type="checkbox"/>
B	1		365			<input type="checkbox"/>
C	1		365			<input type="checkbox"/>

Type of Property:
 1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental
 2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe) _____

Income:	Properties:	A	B	C
3 Rents received	3	48,000	50,000	10,000
4 Royalties received	4			
Expenses:				
5 Advertising	5			
6 Auto and travel (see instructions)	6			
7 Cleaning and maintenance	7	4,000	3,800	1,200
8 Commissions	8			
9 Insurance	9	1,000	1,000	500
10 Legal and other professional fees	10	1,000		
11 Management fees	11			
12 Mortgage interest paid to banks, etc. (see instructions)	12	12,000	11,000	3,000
13 Other interest	13			
14 Repairs	14	3,000	2,500	500
15 Supplies	15			
16 Taxes	16	7,500	7,000	1,000
17 Utilities	17	8,000	8,000	2,000
18 Depreciation expense or depletion	18	13,000	16,000	4,000
19 Other (list) ►	19			
20 Total expenses. Add lines 5 through 19	20	49,500	49,300	12,200
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a loss, see instructions to find out if you must file Form 8198.	21	-1,500	700	-2,200
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	-1,500		-2,200
23a Total of all amounts reported on line 3 for all rental properties	23a		108,000	
23b Total of all amounts reported on line 4 for all royalty properties	23b			
23c Total of all amounts reported on line 12 for all properties	23c		26,000	
23d Total of all amounts reported on line 18 for all properties	23d		33,000	
23e Total of all amounts reported on line 20 for all properties	23e		111,000	
24 Income. Add positive amounts shown on line 21. Do not include any losses	24			700
25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here.	25			3,700
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 5. Otherwise, include this amount in the total on line 41 on page 2.	26			3,000

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11344L Schedule E (Form 1040) 2020



Rental Income Example



SCHEDULE E
(Form 1040)

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

OMB No. 1545-0074
2020
Attachment Sequence No. 13

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041.
▶ Go to www.irs.gov/ScheduleE for instructions and the latest information.

Name(s) shown on return: _____ Your social security number: _____

Part I Income or Loss From Rental Real Estate and Royalties Note: If you are in the business of renting personal property, use Schedule C. See instructions. If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.

A Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions Yes No
B If "Yes," did you or will you file required Form(s) 1099? Yes No

1a Physical address of each property (street, city, state, ZIP code)

A 1 Main Street
B 2 Beach Road
C 3 Mountain Avenue

	1b Type of Property (from list below)	2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.	Fair Rental Days		Personal Use Days	QJV
			A	B		
A	1		365			<input type="checkbox"/>
B	1		365			<input type="checkbox"/>
C	1		365			<input type="checkbox"/>

Type of Property:
 1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental
 2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe) _____

Income:	Properties:	A	B	C
3 Rents received	3	48,000	50,000	10,000
4 Royalties received	4			
Expenses:				
5 Advertising	5			
6 Auto and travel (see instructions)	6			
7 Cleaning and maintenance	7	4,000	3,800	1,200
8 Commissions	8			
9 Insurance	9	1,000	1,000	500
10 Legal and other professional fees	10	1,000		
11 Management fees	11			
12 Mortgage interest paid to banks, etc. (see instructions)	12	12,000	11,000	3,000
13 Other interest	13			
14 Repairs	14	3,000	2,500	500
15 Supplies	15			
16 Taxes	16	7,500	7,000	1,000
17 Utilities	17	8,000	8,000	2,000
18 Depreciation expense or depletion	18	13,000	16,000	4,000
19 Other (list) ▶	19			
20 Total expenses. Add lines 5 through 19	20	49,500	49,300	12,200
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a loss, see instructions to find out if you must file Form 6198	21	-1,500	700	-2,200
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	-1,500		-2,200
23a Total of all amounts reported on line 3 for all rental properties	23a	108,000		
23b Total of all amounts reported on line 4 for all royalty properties	23b			
23c Total of all amounts reported on line 12 for all properties	23c	26,000		
23d Total of all amounts reported on line 18 for all properties	23d	33,000		
23e Total of all amounts reported on line 20 for all properties	23e	111,000		
24 Income. Add positive amounts shown on line 21. Do not include any losses	24			
25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25			
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 5. Otherwise, include this amount in the total on line 41 on page 2	26			

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11344L Schedule E (Form 1040) 2020



Rental Income Example



SCHEDULE E
(Form 1040)

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

OMB No. 1545-0074
2020
Attachment Sequence No. 13

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041.
▶ Go to www.irs.gov/ScheduleE for instructions and the latest information.

Name(s) shown on return: _____ Your social security number: _____

Part I Income or Loss From Rental Real Estate and Royalties Note: If you are in the business of renting personal property, use Schedule C. See instructions. If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.

A Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions Yes No
B If "Yes," did you or will you file required Form(s) 1099? Yes No

1a Physical address of each property (street, city, state, ZIP code)

A 1 Main Street
B 2 Beach Road
C 3 Mountain Avenue

	1b Type of Property (from list below)	2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.	Fair Rental Days		Personal Use Days	QJV
			A	B		
A	1		365			<input type="checkbox"/>
B	1		365			<input type="checkbox"/>
C	1		365			<input type="checkbox"/>

Type of Property:
1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental
2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe) _____

Income:	Properties:	A	B	C
3 Rents received	3	48,000	50,000	10,000
4 Royalties received	4			
Expenses:				
5 Advertising	5			
6 Auto and travel (see instructions)	6			
7 Cleaning and maintenance	7	4,000	3,800	1,200
8 Commissions	8			
9 Insurance	9	1,000	1,000	500
10 Legal and other professional fees	10	1,000		
11 Management fees	11			
12 Mortgage interest paid to banks, etc. (see instructions)	12	12,000	11,000	3,000
13 Other interest	13			
14 Repairs	14	3,000	2,500	500
15 Supplies	15			
16 Taxes	16	7,500	7,000	1,000
17 Utilities	17	8,000	8,000	2,000
18 Depreciation expense or depletion	18	13,000	16,000	4,000
19 Other (list) ▶	19			
20 Total expenses. Add lines 5 through 19	20	49,500	49,300	12,200
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a loss, see instructions to find out if you must file Form 6198	21	-1,500	700	-2,200
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	-1,500		-2,200
23a Total of all amounts reported on line 3 for all rental properties	23a	108,000		
23b Total of all amounts reported on line 4 for all royalty properties	23b			
23c Total of all amounts reported on line 12 for all properties	23c	26,000		
23d Total of all amounts reported on line 18 for all properties	23d	33,000		
23e Total of all amounts reported on line 20 for all properties	23e	111,000		
24 Income. Add positive amounts shown on line 21. Do not include any losses	24		700	
25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25			3,700
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 5. Otherwise, include this amount in the total on line 41 on page 2	26			3,000

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11344L Schedule E (Form 1040) 2020



Rental Income Example



SCHEDULE E
(Form 1040)

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

OMB No. 1545-0074
2020
Attachment Sequence No. 13

Department of the Treasury
Internal Revenue Service (99)

► Attach to Form 1040, 1040-SR, 1040-NR, or 1041.
► Go to www.irs.gov/ScheduleE for instructions and the latest information.

Name(s) shown on return _____ Your social security number _____

Part I **Income or Loss From Rental Real Estate and Royalties** Note: If you are in the business of renting personal property, use Schedule C. See instructions. If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.

A Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions Yes No
B If "Yes," did you or will you file required Form(s) 1099? Yes No

1a Physical address of each property (street, city, state, ZIP code)

A 1 Main Street
B 2 Beach Road
C 3 Mountain Avenue

1b	Type of Property (from list below)	2	Fair Rental Days		Personal Use Days	QJV
			A	B		
A	1	For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.	A	365		<input type="checkbox"/>
B	1		B	365		<input type="checkbox"/>
C	1		C	365		<input type="checkbox"/>

Type of Property:
1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental
2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe) _____

Income:	Properties:	A	B	C
3 Rents received	3	48,000	50,000	10,000
4 Royalties received	4			
Expenses:				
5 Advertising	5			
6 Auto and travel (see instructions)	6			
7 Cleaning and maintenance	7	4,000	3,800	1,200
8 Commissions	8			
9 Insurance	9	1,000	1,000	500
10 Legal and other professional fees	10	1,000		
11 Management fees	11			
12 Mortgage interest paid to banks, etc. (see instructions)	12	12,000	11,000	3,000
13 Other interest	13			
14 Repairs	14	3,000	2,500	500
15 Supplies	15			
16 Taxes	16	7,500	7,000	1,000
17 Utilities	17	8,000	8,000	2,000
18 Depreciation expense or depletion	18	13,000	16,000	4,000
19 Other (list) ►	19			
20 Total expenses. Add lines 5 through 19	20	49,500	49,300	12,200
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a loss, see instructions to find out if you must file Form 6198	21	-1,500	700	-2,200
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	-1,500		-2,200
23a Total of all amounts reported on line 3 for all rental properties	23a		108,000	
23b Total of all amounts reported on line 4 for all royalty properties	23b			
23c Total of all amounts reported on line 12 for all properties	23c		26,000	
23d Total of all amounts reported on line 18 for all properties	23d		33,000	
23e Total of all amounts reported on line 20 for all properties	23e		111,000	
24 Income. Add positive amounts shown on line 21. Do not include any losses	24			700
25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25			(3,700)
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 5. Otherwise, include this amount in the total on line 41 on page 2	26			3,000

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Monthly Obligation

The FULL amount of the housing obligation is equivalent to a monthly amount.



Monthly Obligation (Escrow)



Principal

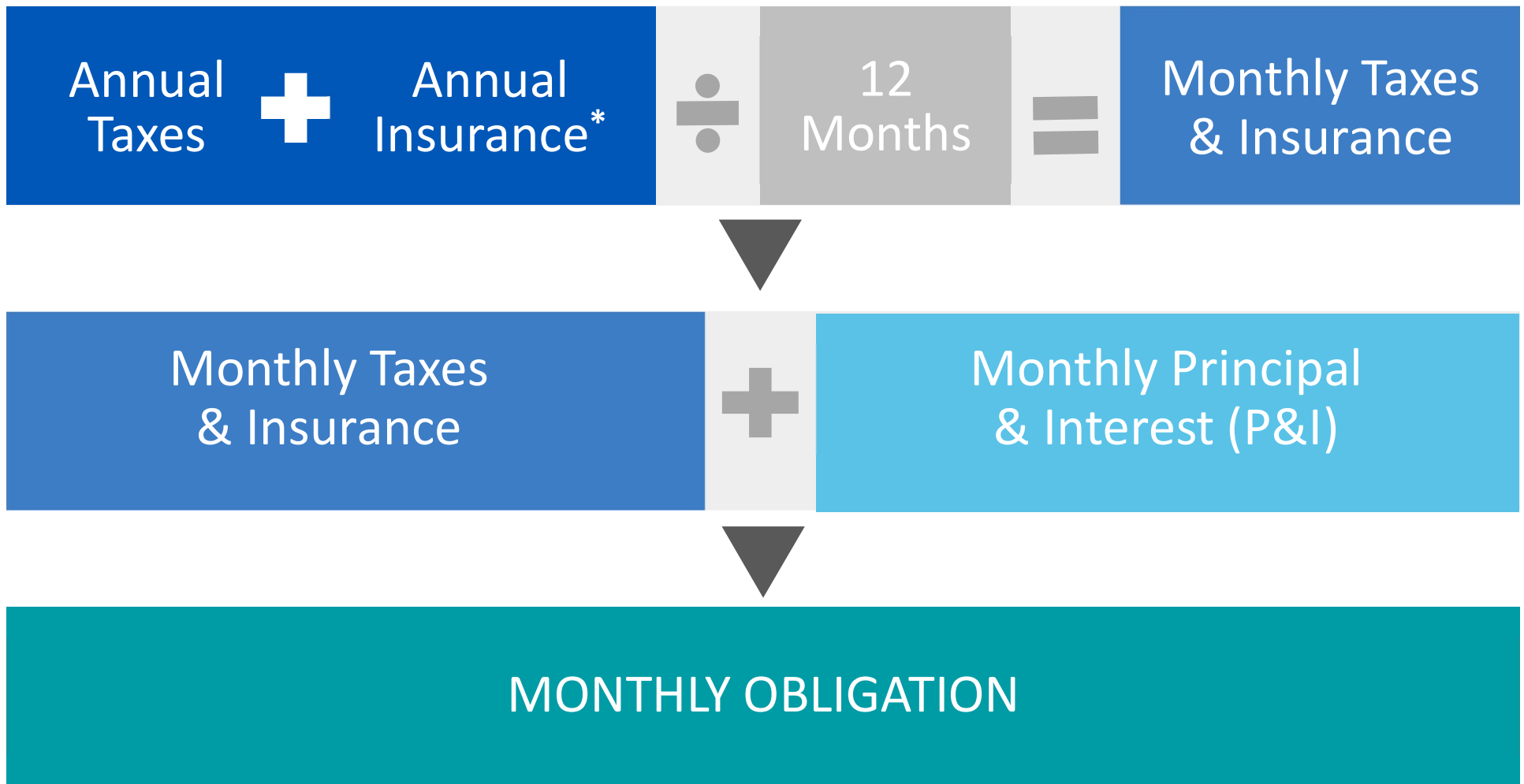
Interest

Taxes

Insurance*

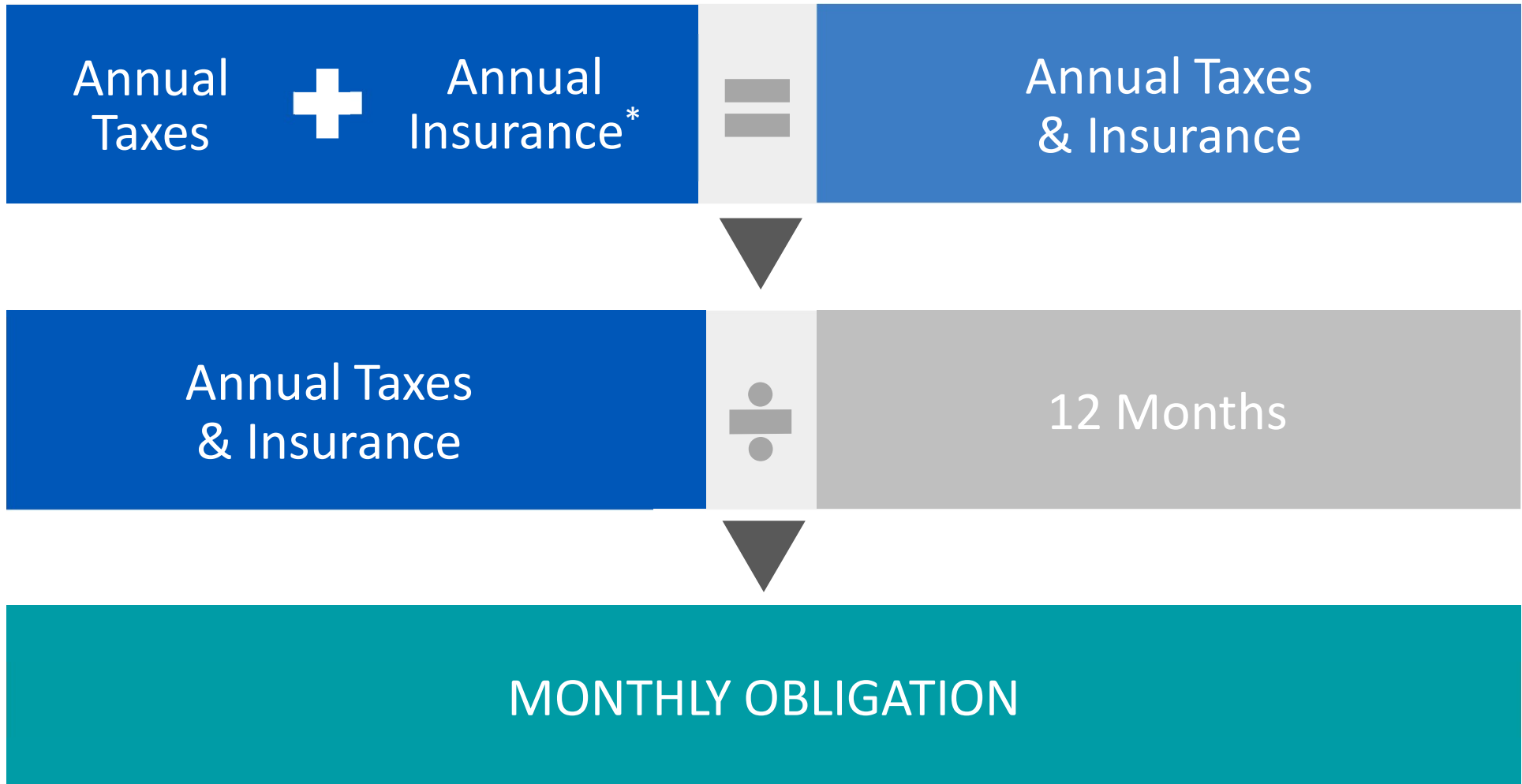
** Add Homeowner Association (HOA) dues, if applicable.*

Monthly Obligation – No Escrow



* Add Homeowner Association (HOA) dues, if applicable.

Monthly Obligation – Free and Clear



* Add Homeowner Association (HOA) dues, if applicable.

Review Objectives

We have now concluded the session, intended to help you to:

- Learn the Fundamentals of Tax Returns.
 - When and Why Tax Returns are Needed.
 - If Tax Returns are Complete.
- Understand Income Trending.
- Introduced to the AMITRAC.
- Analyze and become more familiar with...
 - 1040 Page1.
 - 1040 Page 2.
 - 1040 Schedule 1.
 - Schedule B.
 - Schedule D.
 - Schedule E.

THANK YOU

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