

**SCHEDULE E
(Form 1040)**

Supplemental Income and Loss

OMB No. 1545-0074

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

2021

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041.

Attachment
Sequence No. **13**

▶ 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 2021 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					
B					
C					
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			A		<input type="checkbox"/>
B			B		<input type="checkbox"/>
C			C		<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			
4	Royalties received	4			

Expenses:

5	Advertising	5			
6	Auto and travel (see instructions)	6			
7	Cleaning and maintenance	7			
8	Commissions.	8			
9	Insurance	9			
10	Legal and other professional fees	10			
11	Management fees	11			
12	Mortgage interest paid to banks, etc. (see instructions)	12			
13	Other interest.	13			
14	Repairs.	14			
15	Supplies	15			
16	Taxes	16			
17	Utilities.	17			
18	Depreciation expense or depletion	18			
19	Other (list) ▶ _____	19			
20	Total expenses. Add lines 5 through 19	20			

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			
22	Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	()	()	()

23a	Total of all amounts reported on line 3 for all rental properties	23a		
b	Total of all amounts reported on line 4 for all royalty properties	23b		
c	Total of all amounts reported on line 12 for all properties	23c		
d	Total of all amounts reported on line 18 for all properties	23d		
e	Total of all amounts reported on line 20 for all properties	23e		

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	
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Rental Income Worksheet

Principal Residence, 2- to 4-unit Property: Monthly Qualifying Rental Income

Documentation Required:		Address of Principal Residence:			
<ul style="list-style-type: none"> ▪ Schedule E (IRS Form 1040) OR ▪ Lease Agreement or Fannie Mae Form 1025 		Enter	Rental Unit	Rental Unit	Rental Unit
Step 1 When using Schedule E, determine the number of months the property was in service by dividing the Fair Rental Days by 30. <i>If Fair Rental Days are not reported, the property is considered to be in service for 12 months unless there is evidence of a shorter term of service.</i>					
Step 1. Result: The number of months the property was in service:		Result			
Step 2 Calculate the monthly qualifying rental income using Step 2A: Schedule E OR Step 2B: Lease Agreement or Form 1025.					
Step 2 A. Schedule E - Part I					
A1	Enter total rents received (from the non-owner-occupied units). <i>May enter rent from individual unit(s) or combine.</i>	Enter			
A2	Subtract total expenses.	Subtract			
A3	Add back insurance expense.	Add			
A4	Add back mortgage interest paid.	Add			
A5	Add back tax expense.	Add			
A6	Add back homeowners' association dues. <i>This expense must be specifically identified on Schedule E in order to add it back.</i>	Add			
A7	Add back depreciation expense or depletion.	Add			
A8	Add back any one-time extraordinary expense (e.g., casualty loss). <i>There must be evidence of the nature of the one-time extraordinary expense.</i>	Add			
	Equals adjusted rental income.	Total			
A9	Divide by the number of months the property was in service (Step 1 Result).	Divide			
Step 2A. Result: Monthly qualifying rental income:		Result			
Step 2 B. Lease Agreement or Fannie Mae Form 1025					
<i>This method is used when the transaction is a purchase or the property was acquired subsequent to the most recent tax filing.</i>					
B1	Enter gross monthly rent (from the lease agreement) or market rent (from Form 1025) for the applicable rental unit.	Enter			
B2	Multiply gross monthly rent or market rent by 75% (.75). <i>The remaining 25% accounts for vacancy loss, maintenance, and management expenses.</i>	Multiply	x .75	x .75	x .75
	Equals monthly rental income per unit.	Total			
B3	Combine the monthly rental income of all non-owner-occupied rental units (up to a maximum of 3 rental units since rental income is not eligible on the unit occupied by the borrower).	Add			
Step 2B. Result: Monthly qualifying rental income:		Result			
Step 3. Determine the qualifying impact using the combined result of Step 2A or Step 2B.					
3A	Add the monthly qualifying rental income to the borrower's monthly qualifying income.				
3B	Identify the full amount of the PITIA as the borrower's primary housing expense and include it in the debt-to-income ratio. <i>Use proposed PITIA when the subject property; existing PITIA when not the subject property.</i>				
DU Data Entry	Monthly Income and Combined Housing Expenses	Mortgage Liabilities			
Subject Property	Enter the amount of the monthly qualifying income in "Subject Net Cash."	Include as the borrower's primary housing expense. For refinance transactions, identify the mortgage as a subject property lien.			
Non-Subject Property	Enter the amount of the monthly qualifying income in "Net Rental."	Include as the borrower's primary housing expense.			

Refer to the Rental Income topic in the Selling Guide for additional guidance.

Rental Income Worksheet				
Individual Rental Income from Investment Property(s): Monthly Qualifying Rental Income (or Loss)				
Documentation Required:		Enter	Investment Property Address	Investment Property Address
<ul style="list-style-type: none"> Schedule E (IRS Form 1040) OR Lease Agreement or Fannie Mae Form 1007 or Form 1025 				
Step 1. When using Schedule E, determine the number of months the property was in service by dividing the Fair Rental Days by 30. <i>If Fair Rental Days are not reported, the property is considered to be in service for 12 months unless there is evidence of a shorter term of service.</i>				
Step 1. Result: The number of months the property was in service:		Result		
Step 2. Calculate monthly qualifying rental income (loss) using Step 2A: Schedule E OR Step 2B: Lease Agreement or Fannie Mae Form 1007 or Form 1025.				
Step 2 A. Schedule E - Part I				
A1	Enter total rents received.	Enter		
A2	Subtract total expenses.	Subtract		
A3	Add back insurance expense.	Add		
A4	Add back mortgage interest paid.	Add		
A5	Add back tax expense.	Add		
A6	Add back homeowners' association dues. <i>This expense must be specifically identified on Schedule E in order to add it back.</i>	Add		
A7	Add back depreciation expense or depletion.	Add		
A8	Add back any one-time extraordinary expense (e.g., casualty loss). <i>There must be evidence of the nature of the one-time extraordinary expense.</i>	Add		
	Equals adjusted rental income.	Total		
A9	Divide by the number of months the property was in service (Step 1 Result).	Divide		
	Equals adjusted monthly rental income	Total		
A10	Subtract proposed PITIA (for subject property) or existing PITIA (for non-subject property).	Subtract		
Step 2A. Result: Monthly qualifying rental income (or loss):		Result		
Step 2 B. Lease Agreement OR Fannie Mae Form 1007 or Form 1025				
<i>This method is used when the transaction is a purchase, the property was acquired subsequent to the most recent tax filing, or the lender has justification for using a lease agreement.</i>				
B1	Enter the gross monthly rent (from the lease agreement) or market rent (reported on Form 1007 or Form 1025). <i>For multi-unit properties, combine gross rent from all rental units.</i>	Enter		
B2	Multiply gross monthly rent or market rent by 75% (.75). <i>The remaining 25% accounts for vacancy loss, maintenance, and management expenses.</i>	Multiply	x.75	x.75
	Equals adjusted monthly rental income.	Total		
B3	Subtract proposed PITIA (for subject property) or existing PITIA (for non-subject property).	Subtract		
Step 2B. Result: Monthly qualifying rental income (loss):		Result		
Step 3. Determine the qualifying impact using the result of Step 2A or Step 2B.				
If the combined result of Step 2A or 2B is positive , add the positive amount to the borrower's monthly qualifying income. <i>Because the PITIA expense was included in the calculations above, do not add it to the debt-to-income (DTI) ratio.</i>				
If the combined result of Step 2A or 2B is negative , include the amount of the loss in the borrower's monthly expenses when calculating the DTI ratio.				
DU Data Entry	Monthly Income and Combined Housing Expenses	Mortgage Liabilities		
Subject Property	Enter the amount of the monthly qualifying income (positive result) or monthly qualifying loss (negative result) in "Subject Net Cash."	For refinance transactions, identify the mortgage as a subject property lien.		
Non-Subject Property	Enter the amount of the monthly qualifying income (positive result) or monthly qualifying loss (negative result) in "Net Rental."	Identify the mortgage as a rental property lien.		

Refer to the Rental Income topic in the Selling Guide for additional guidance.

Rental Income Worksheet

Business Rental Income from Investment Property(s): Qualifying Impact of Mortgaged Investment Property PITIA Expense

Documentation Required: ▪ IRS Form 8825 (filed with either IRS Form 1065 or 1120S) OR ▪ Lease Agreement	Enter	Property Address	Property Address
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Enter the mortgagee and the mortgage loan account number.	Enter	Mortgagee/ #	Mortgagee/ #
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Step 1. When using IRS Form 8825, determine the number of months the property was in service by dividing the Fair Rental Days by 30. *If Fair Rental Days are not reported, the property is considered to be in service for 12 months unless there is evidence of a shorter term of service.*

Step 1. Result: The number of months the property was in service:	Result		
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Step 2. Calculate monthly property cash flow using Step 2A: IRS Form 8825 **OR** Step 2B: Lease Agreement.

Step 2 A. IRS Form 8825 (IRS Form 1065 or 1120S)

A1	Enter gross rents received.	Enter		
A2	Subtract total expenses.	Subtract		
A3	Add back insurance expense.	Add		
A4	Add back mortgage interest paid.	Add		
A5	Add back tax expense.	Add		
A6	Add back homeowners' association dues. <i>This expense must be specifically identified on Form 8825 in order to add it back.</i>	Add		
A7	Add back depreciation expense or depletion.	Add		
A8	Add back any one-time extraordinary expense (e.g., casualty loss). <i>There must be evidence of the nature of the one-time extraordinary expense.</i>	Add		
	Equals adjusted rental income.	Total		
A9	Divide by the number of months the property was in service (Step 1 Result).	Divide		
	Equals adjusted monthly rental income.	Total		
A10	Subtract proposed PITIA (for subject property) or existing PITIA (for non-subject property).	Subtract		
	Step 2A. Result: Monthly property cash flow:	Result		

Step 2 B. Lease Agreement

This method is used in certain circumstances (e.g., when the property was acquired subsequent to the most recent tax filing or the lender has justification for using a lease agreement).

B1	Enter the gross monthly rent (from the lease agreement). <i>For multi-unit properties, combine the monthly qualifying income of all rental units.</i>	Enter		
B2	Multiply gross monthly rent or market rent by 75% (.75). <i>The remaining 25% accounts for vacancy loss, maintenance, and management expenses.</i>	Multiply	x .75	x .75
	Equals adjusted monthly rents.	Total		
B3	Subtract proposed PITIA (for subject property) or existing PITIA (for non-subject property).	Subtract		
	Step 2B. Result: Monthly property cash flow:	Result		

Step 3. Determine qualifying impact of the mortgaged investment property PITIA expense.

If the result of Step 2A or 2B is **negative**, include this loss, not to exceed the monthly PITIA expense, in the debt-to-income ratio

If the result of Step 2A or 2B is **positive**, the full amount of the PITIA expense has been offset. Do not include it in the debt-to-income ratio.

Important: This worksheet provides a means of calculating an offset to the monthly PITIA. To add any net income to the borrower's qualifying income, additional requirements apply (e.g., two-year history vs. one-year history). Refer to the Self-Employment Income topic in the Selling Guide.

DU Data Entry	Monthly Income and Combined Housing Expenses	Mortgage Liabilities	Real Estate Owned
Subject Property	Enter the amount of the negative monthly property cash flow in "Subject Net Cash." If the monthly property cash flow is positive, enter \$0.00.	For refinance transactions, identify the mortgage as a subject property lien.	If REO Schedule is completed, confirm that the "Net Rental Income" field reflects either ▪ the amount of the property cash flow if it is negative, or ▪ \$0.00 if the monthly property cash flow is positive.
Non-Subject Property	Enter the amount of the negative monthly property cash flow in "Net Rental." If the monthly property cash flow is positive, enter \$0.00.	Identify the mortgage as a rental property lien.	

Refer to Rental Income topic in the Selling Guide for additional guidance.