



Evaluating Self-Employed Borrowers TAX YEAR 2022

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Steps to Successful Cashflow

1. Identify source of income
2. Gather appropriate verification documentation
 - a) 1 - 2 years tax returns
 - b) All attachments & schedules
 - c) Clarifying documents as needed
3. Complete cash flow worksheet
4. Analyze results



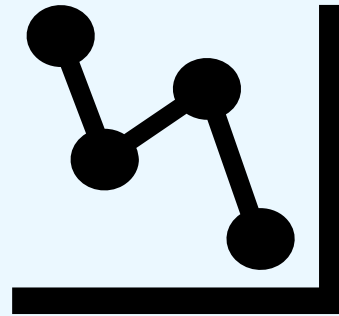
Variable Income Sources

- ✓ Hourly – no set hours per week
- ✓ Part – time employment
- ✓ Shift or on-call income
- ✓ Overtime
- ✓ Bonus
- ✓ Commission
- ✓ Other Income
- ✓ **Self Employed**

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Variable Income

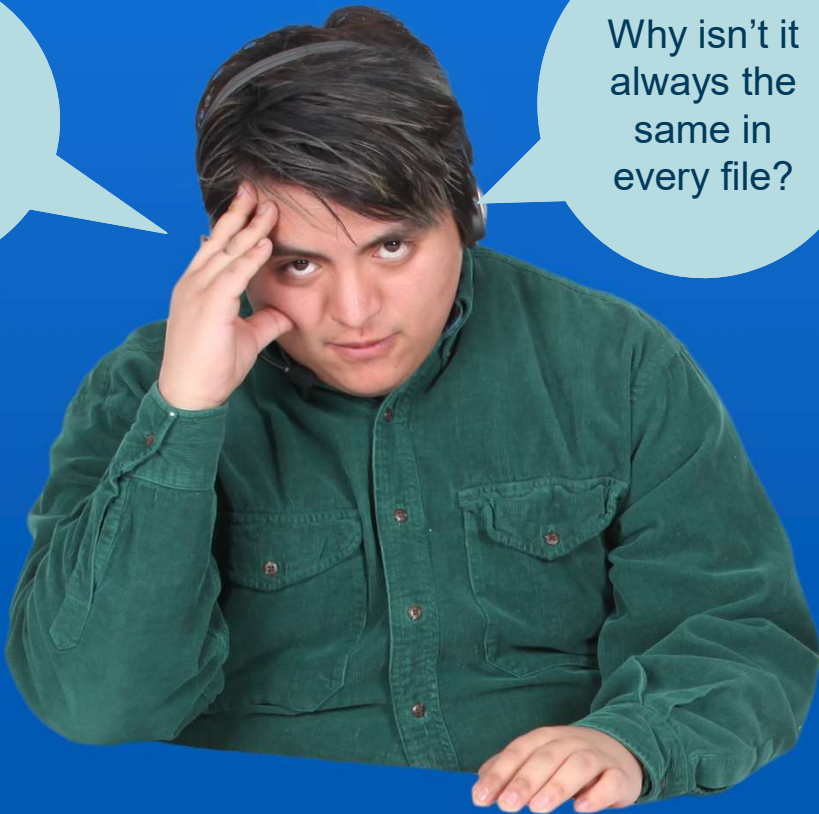
Fluctuating Earnings



Amount is NOT predetermined, does NOT occur with regular frequency and definite amount is NOT documentable.

Calculate by Income Trend

When Should I average?



Why isn't it always the same in every file?

RISK VARIES



What is TRENDING?

Ask yourself which
direction is the
income going?

- ✓ Up?
- ✓ Down?
- ✓ Staying the same?

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Variable Income Guidance

Calculation of income will be determined on whether income trend is consistent, increasing or decreasing

Additional analysis should be done when the income fluctuates more than 10% from year to year



Knowledge

Word Bank


- higher
- averaged
- lower
- disregarded

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

Income Calculation Tools





Cash Flow Analysis (Form 1084)

Borrower Name: _____

Business Name (optional): _____


This worksheet may be used to prepare a written evaluation of the analysis of income related to self-employment. The purpose of this written analysis is to determine the amount of stable and continuous income that will be available to the borrower for loan qualifying purposes.

IRS Form 1040 – Individual Income Tax Return	Year _____	Year _____
1. W-2 Income from Self-Employment	(+)	(+)
2. Schedule B – Interest and Ordinary Dividends		
a. Interest Income from Self-Employment	(+)	(+)
b. Dividends from Self-Employment	(+)	(+)
3. Schedule C – Profit or Loss from Business: Sole Proprietorship		
a. Net Profit or (Loss)	(+/-)	(+/-)
b. Nonrecurring Other (Income) Loss/Expenses	(+/-)	(+/-)
c. Depreciation	(+)	(+)
d. Depreciation	(+)	(+)
e. Non-deductible Travel and Meals Expenses	(-)	(-)
f. Business Use of Home	(+)	(+)
g. Amortization/Casualty Loss	(+)	(+)
4. Schedule D – Capital Gains and Losses		
a. Recurring Capital Gains	(+)	(+)
5. Schedule E – Supplemental Income and Loss		
Note: A lender may use Fannie Mae Rental Income Worksheets (Form 1037 or Form 1038) to calculate individual rental income (loss) reported on Schedule E.		
a. Royalties Received	(+)	(+)
b. Total Expenses	(-)	(-)
c. Depreciation	(+)	(+)
6. Schedule F – Profit or Loss from Farming		
a. Net Farm Profit or (Loss)	(+/-)	(+/-)
b. Non-Tax Portion Ongoing Coop and CCC Payments	(+)	(+)
c. Nonrecurring Other (Income) Loss	(+/-)	(+/-)
d. Depreciation	(+)	(+)
e. Amortization/Casualty Loss/Depreciation	(+)	(+)
f. Business Use of Home	(+)	(+)

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

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Borrower Name: _____



Form 91

Income Calculations

(Schedule Analysis Method)

Form 91 is to be used to document the Seller's calculation of the income for a self-employed Borrower. This form is a tool to help the Seller calculate the income for a self-employed Borrower; the Seller's calculations must be based on the requirements and guidance for the determination of stable monthly income in Topic 5300. This form does not replace the requirements and guidance for the analysis and treatment of the income for self-employed Borrowers as described in Chapters 5304 and 5305.

I. Income Calculations from IRS Form 1040

IRS Form 1040 Federal Individual Income Tax Return	Year:	Year:
1. W-2 Income from self-employment (reported on IRS Forms 1040 and 1120S or 1120S)		
Name of business: _____		
IRS Form 1040, W-2 Income – Officer Compensation (Section 5304.1(d)) ¹	(+)	(+)
Subtotal of W-2 income from self-employment	\$	\$

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

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

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

SAM: Schedule Analysis Method

mgic.com/seb

Need help?

Line-by-line link to the SAM Worksheet Help Document

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SAM Method **Cash Flow Analysis Worksheet** **MGIC**

BORROWER AND/OR CO-BORROWER NAME: _____ DATE: _____

YEAR 1: _____ YEAR 2: _____

SCHEDULE B - INTEREST AND DIVIDENDS FROM SELF-EMPLOYMENT

S Corporation Cash Flow

Evaluate business income as required by your investor.

S CORPORATION Name: _____

SCHEDULE K-1

35	Ordinary Income (Loss): LINE 1 If > Distributions see additional requirements.		
36	Net Rental Income (Loss): LINES 2 & 3 If > Distributions see additional requirements.		
	SUBTOTAL	\$ -	\$ -

FORM W-2

37	Wages: W-2, Box 5 (in general)		
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FORM 1120S

38	Deduct nonrecurring income/add nonrecurring loss: LINES 4 & 5		
39	Depreciation: LINE 14		
40	Depreciation (FORM 8825): LINE 14		
41	Depletion: LINE 15		
42	Amortization/Casualty Loss (only if noted): LINE 19 from attached statement		
43	Mortgages or Notes Payable in Less Than 1 Year: Schedule L, LINE 17, Column d	()	()
44	Travel and Entertainment Exclusion: Schedule M-1, LINE 3b	()	()
	SUBTOTAL	\$ -	\$ -
45	Multiplied by Ownership Percentage		
	Shareholder's Total Share of Income (Loss)	\$ -	\$ -

Corporation Cash Flow

Evaluate business income as required by your investor.

CORPORATION Name: _____

CORPORATION Name: _____

CORPORATION Name: _____

CORPORATION Name: _____

SAM cash flow analysis summary



Each business subtotals

SAM Cash Flow Analysis Worksheet with P&L									
PERSONAL CASH FLOW SUBTOTALS:									
		2022		2021		Qualifying Income		Total No. of Months	
		Subtotal	# mo.	Subtotal	# mo.				
Schedule B	<input type="checkbox"/>	\$ 3,700.00	12	<input type="checkbox"/> \$ 3,600.00	12	\$	304.17		24
Schedule C Tech in a Sec	<input type="checkbox"/>	\$ 49,460.00	12	<input type="checkbox"/> \$ 36,390.00	12	\$	3,577.08		24
PARTNERSHIP & S CORPORATION CASH FLOW SUBTOTALS:									
Schedule K-1 Tanglewood Realty	<input type="checkbox"/>	\$ (3,800.00)	12	<input type="checkbox"/> \$ (10,000.00)	12	\$	(575.00)		24
W-2 Wages Tanglewood Realty	<input type="checkbox"/>	\$ -	12	<input type="checkbox"/> \$ -	12	\$	-		24
Form 1065 Tanglewood Realty	<input type="checkbox"/>	\$ -	12	<input type="checkbox"/> \$ -	12	\$	-		24
Partnership Tanglewood Realty Subtotal		\$ (3,800.00)		\$ (10,000.00)		\$	(575.00)		
Schedule K-1 Westchester Development	<input type="checkbox"/>	\$ 21,000.00	12	<input type="checkbox"/> \$ 20,000.00	12	\$	1,708.33		24
W-2 Wages Westchester Development	<input type="checkbox"/>	\$ -	12	<input type="checkbox"/> \$ -	12	\$	-		24
Form 1065 Westchester Development	<input type="checkbox"/>	\$ 1,200.00	12	<input type="checkbox"/> \$ 1,000.00	12	\$	91.67		24
Partnership Westchester Development Subtotal		\$ 22,200.00		\$ 21,000.00		\$	1,800.00		
Schedule K-1 Digital Network Systems	<input type="checkbox"/>	\$ 32,550.00	12	<input type="checkbox"/> \$ 26,900.00	12	\$	2,477.08		24
W-2 Wages Digital Network Systems	<input type="checkbox"/>	\$ -	12	<input type="checkbox"/> \$ -	12	\$	-		24
Form 1120S Digital Network Systems	<input type="checkbox"/>	\$ 7,000.00	12	<input type="checkbox"/> \$ 10,000.00	12	\$	708.33		24
S Corporation Digital Network Systems Subtotal		\$ 39,550.00		\$ 36,900.00		\$	3,185.41		
CORPORATION CASH FLOW SUBTOTALS:									
W-2 Wages Interior Innovations	<input type="checkbox"/>	\$ 54,000.00	12	<input checked="" type="checkbox"/> \$ 49,000.00	0	\$	4,500.00		12
Form 1120 Interior Innovations	<input type="checkbox"/>	\$ 9,970.00	12	<input checked="" type="checkbox"/> \$ 15,750.00	0	\$	830.83		12
Corporation Interior Innovations Subtotal		\$ 63,970.00		\$ -		\$	5,330.83		
Average Monthly Cash Flow (Total)						\$	13,622.50		

Tax forms: Personal and business



Business structures



Sole proprietorship	Partnership	S corporation	Corporation
<p>Unincorporated business with one owner with unlimited liability</p> <p>Schedule C</p> <p>(No business returns)</p> <p>Taxed at individual rate</p>	<p>Business arrangement between 2 or more people/partners (General or Limited)</p> <p>Schedule K-1</p> <p>Guaranteed payments</p> <p>Business files IRS Form 1065</p> <p>Each partner pays tax on their share of income</p>	<p>A legal entity that has a limited number of stockholders</p> <p>Schedule K-1</p> <p>SEB W-2</p> <p>Business files IRS Form 1120-S</p> <p>Each stockholder pays tax on their share of income</p>	<p>A legal entity that exists separate from owners who are shareholders</p> <p>IRS Form 1099-DIV</p> <p>SEB W-2</p> <p>Business files IRS Form 1120</p> <p>Corporation pays taxes</p>

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

2022 Personal Return – Form 1040

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Form 1040 Department of the Treasury—Internal Revenue Service **2022** 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 surviving spouse (QSS)

Check only one box. *If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:*

Your first name and middle initial John		Last name Borrower		Your social security number 000-00-0000	
If joint return, spouse's first name and middle initial Ginny		Last name Borrower		Spouse's social security number 000-00-0001	
Home address (number and street). If you have a P.O. box, see instructions. 3412 W Silverwood Dr			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. <input type="checkbox"/> You <input type="checkbox"/> Spouse
City, town, or post office. If you have a foreign address, also complete spaces below. Jackson			State TN	ZIP code 38305	
Foreign country name		Foreign province/state/county		Foreign postal code	

Digital Assets At any time during 2022, did you: (a) receive (as a reward, exchange, gift, or otherwise dispose of a digital asset (or other digital property) that you acquired after 2017) and (b) have a legal obligation to report it?

Standard Deduction Spouse itemizes on a separate return or you were a dependent You as a dependent You as a head of household

Age/Blindness You: Were born before January 2, 1958 Are blind

Dependents (see instructions):

(1) First name	Last name	(2) Social Security number

Income

1a	Total amount from Form(s) W-2, box 1 (see instructions)	
b	Household employee wages not reported on Form 941	
c	Tip income not reported on line 1a (see instructions)	
d	Medicaid waiver payments not reported on Form(s) 1042-C	
e	Taxable dependent care benefits from Form 2441, line 10	
f	Employer-provided adoption benefits from Form 8839, line 10	
g	Wages from Form 8919, line 6	
h	Other earned income (see instructions)	
i	Nontaxable combat pay election (see instructions)	
z	Add lines 1a through 1h	
2a	Tax-exempt interest	2a
3a	Qualified dividends	3a 3
4a	IRA distributions	4a
5a	Pensions and annuities	5a
6a	Social security benefits	6a
7	If you elect to use the lump-sum election method, enter the amount of the lump sum, net of any tax withheld. Attach Schedule D if required.	
8	Other income from Schedule 1, line 10	
9	Add lines 12, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your gross income.	
10	Adjustments to income from Schedule 1, line 26	
11	Subtract line 10 from line 9. This is your adjusted gross income.	
12	Standard deduction or itemized deductions (from Schedule A)	
13	Qualified business income deduction from Form 8879, line 10	
14	Add lines 12 and 13	
15	Subtract line 14 from line 11. If zero or less, enter -0-	

Attach Sch. B if required.

Standard Deduction for:

- Single or Married filing separately, \$12,950
- Married filing jointly or Qualifying surviving spouse, \$25,900
- Head of household, \$19,400

Standard Deduction: If you checked any box under Standard Deduction, see instructions.

Tax and Credits

16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16	14,034
17	Amount from Schedule 2, line 3	17	
18	Add lines 16 and 17	18	14,034
19	Child tax credit or credit for other dependents from Schedule 8812	19	
20	Amount from Schedule 3, line 8	20	
21	Add lines 19 and 20	21	
22	Subtract line 21 from line 18. If zero or less, enter -0-	22	14,034
23	Other taxes, including self-employment tax, from Schedule 2, line 21	23	6,406
24	Add lines 22 and 23. This is your total tax	24	20,440

Payments

25	Federal income tax withheld from:	25a	12,500
a	Form(s) W-2	25b	
b	Form(s) 1099	25c	
c	Other forms (see instructions)		
d	Add lines 25a through 25c	25d	12,500
26	2022 estimated tax payments and amount applied from 2021 return	26	5,500
27	Earned income credit (EIC)	27	
28	Additional child tax credit from Schedule 8812	28	
29	American opportunity credit from Form 8863, line 8	29	
30	Reserved for future use	30	
31	Amount from Schedule 3, line 15	31	
32	Add lines 27, 28, 29, and 31. These are your total other payments and refundable credits	32	
33	Add lines 25d, 26, and 32. These are your total payments	33	18,000

Refund

34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid	34	
35a	Amount of line 34 you want refunded to you. If Form 8888 is attached, check here <input type="checkbox"/>	35a	
b	Routing number [X][X][X][X][X][X][X][X][X][X]	c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
d	Account number [X][X][X][X][X][X][X][X][X][X][X][X][X][X][X][X]		
36	Amount of line 34 you want applied to your 2023 estimated tax	36	
37	Subtract line 33 from line 24. This is the amount you owe. For details on how to pay, go to www.irs.gov/Payments or see instructions.	37	2,440
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

Preparer's information:

Preparer's name	Preparer's signature	Date	PTIN	Check if: <input type="checkbox"/> Self-employed
Firm's name Self-Prepared	Firm's address	Firm's EIN		

Go to www.irs.gov/Form1040 for instructions and the latest information. **BAA** REV 01/28/23 TTY Form 1040 (2022)

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate page.

Schedule 1

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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.		2022 Attachment Sequence No. 01	
Name(s) shown on Form 1040, 1040-SR, or 1040-NR John & Ginny Borrower				Your social security number 000-00-0000	
Part I Additional Income					
1	Taxable refunds, credits, or offsets of state and local income taxes	1			
2a	Alimony received	2a			
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C	3	49,140.		
4	Other gains or (losses). Attach Form 4797	4			
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	53,350.		
6	Farm income or (loss). Attach Schedule F	6			
7	Unemployment compensation	7			
8	Other income:				
a	Net operating loss	8a			
b	Gambling				
c	Cancellation of debt				
d	Foreign earned income exclusion from Form 2555				
e	Income from Form 8853				
f	Income from Form 8889				
g	Alaska Permanent Fund dividends				
h	Jury duty pay				
i	Prizes and awards				
j	Activity not engaged in for profit income				
k	Stock options				
l	Income from the rental of personal property if you engaged for profit but were not in the business of renting such property				
m	Olympic and Paralympic medals and USOC prize money (see instructions)				
n	Section 951(a) inclusion (see instructions)				
o	Section 951A(a) inclusion (see instructions)				
p	Section 461(l) excess business loss adjustment				
q	Taxable distributions from an ABL account (see instructions)				
r	Scholarship and fellowship grants not reported on Form 1040, line 1a or 1d				
s	Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d				
t	Pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan				
u	Wages earned while incarcerated				
z	Other income. List type and amount:				
9	Total other income. Add lines 8a through 8z				
10	Combine lines 1 through 7 and 9. Enter here and on Form 1040, line 10				
Part II Adjustments to Income					
11	Educator expenses	11			
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	12			
13	Health savings account deduction. Attach Form 8889	13			
14	Moving expenses for members of the Armed Forces. Attach Form 3903	14			
15	Deductible part of self-employment tax. Attach Schedule SE	15	3,203.		
16	Self-employed SEP, SIMPLE, and qualified plans	16			
17	Self-employed health insurance deduction	17	3,500.		
18	Penalty on early withdrawal of savings	18			
19a	Alimony paid	19a			
b	Recipient's SSN				
c	Date of original divorce or separation agreement (see instructions):				
20	IRA deduction	20			
21	Student loan interest deduction	21			
22	Reserved for future use	22			
23	Archer MSA deduction	23			
24	Other adjustments:				
a	Jury duty pay (see instructions)	24a			
b	Deductible expenses related to income reported on line 8l from the rental of personal property engaged in for profit	24b			
c	Nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8m	24c			
d	Reforestation amortization and expenses	24d			
e	Repayment of supplemental unemployment benefits under the Trade Act of 1974	24e			
f	Contributions to section 501(c)(18)(D) pension plans	24f			
g	Contributions by certain chaplains to section 403(b) plans	24g			
h	Attorney fees and court costs for actions involving certain unlawful discrimination claims (see instructions)	24h			
i	Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations	24i			
j	Housing deduction from Form 2555	24j			
k	Excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041)	24k			
z	Other adjustments. List type and amount:	24z			
25	Total other adjustments. Add lines 24a through 24z	25			
26	Add lines 11 through 23 and 25. These are your adjustments to income. Enter here and on Form 1040 or 1040-SR, line 10, or Form 1040-NR, line 10a	26	6,703.		

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

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

Department of the Treasury Internal Revenue Service

Name of proprietor: **John Borrower**

A Principal business or profession, including product or service (see instructions): **Computer Repair Service**

C Business name, if no separate business name, leave blank: **Tech in a Sec**

E Business address (including suite or room no.): **1400 W Commercial Ave**
 City, town or post office, state, and ZIP code: **Jackson, TN 38305**

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

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

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

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

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

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked.	1	97,200.
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	97,200.
4	Cost of goods sold (from line 42)	4	28,000.
5	Gross profit. Subtract line 4 from line 3	5	69,200.
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	4,500.
7	Gross income. Add lines 5 and 6	7	73,700.

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

8	Advertising	8		18	Office expense (see instructions)	18	50.
9	Car and truck expenses (see instructions)	9	7,260.	19	Pension and profit-sharing plans	19	
10	Commissions and fees	10		20	Rent or lease (see instructions):		
11	Contract labor (see instructions)	11		a	Vehicles, machinery, and equipment	20a	
12	Depletion	12		b	Other business property	20b	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	2,400.	21	Repairs and maintenance	21	
14	Employee benefit programs (other than on line 19)	14		22	Supplies (not included in Part III)	22	
15	Insurance (other than health)	15	1,000.	23	Taxes and licenses	23	
16	Interest (see instructions):			24	Travel and meals:	24a	
a	Mortgage (paid to banks, etc.)	16a	3,800.	a	Travel		
b	Other	16b		b	Deductible meals (see instructions)	24b	1,000.
17	Legal and professional services	17	600.	25	Utilities	25	1,650.
28	Total expenses before expenses for business use of home. Add lines 8 through 27a	28	24,560.	26	Wages (less employment credits)	26	6,000.
29	Tentative profit or (loss). Subtract line 28 from line 7	29	49,140.	27a	Other expenses (from line 48)	27a	800.
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. Simplified method filers only: Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30		b	Reserved for future use	27b	
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (If you checked the box on line 1, see instructions.) Estates and trusts, enter on Form 1041, line 3. • If a loss, you must go to line 32. • If you have a loss , check the box that describes your investment in this activity. See instructions. • If you checked 32a, enter the loss on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (If you checked the box on line 1, see the line 31 instructions.) Estates and trusts, enter on Form 1041, line 3. • If you checked 32b, you must attach Form 6198. Your loss may be limited.	31	49,140	32a	<input type="checkbox"/> All investment is at risk.		
				32b	<input type="checkbox"/> Some investment is not at risk.		

1040 Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return 2022
 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 surviving spouse (QSS)

Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:

Your first name and middle initial: **John** Last name: **Borrower** Your social security number: **000-00-0000**

If joint return, spouse's first name and middle initial: **Ginny** Last name: **Borrower** Spouse's social security number: **000-00-0001**

Home address (number and street), if you have a P.O. box, see instructions: **3412 W Silverwood Dr** Apt. no.: _____

City, town, or post office, if you have a foreign address, also complete spaces below: **Jackson** State: **TN** ZIP code: **38305**

Foreign country name: _____ Foreign province/state/country: _____ Foreign postal code: _____

Presidential Election Campaign: You Spouse

Digital Assets At any time during 2022, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) Yes No

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

Age/Blindness You: Were born before January 2, 1958 Are blind Spouse: Was born before January 2, 1958 Is blind

Dependents (see instructions):

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) 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"/>

Income

1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a	50,000.
1b	Household employee wages not reported on Form(s) W-2	1b	
1c	Tip income not reported on line 1a (see instructions)	1c	
1d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d	
1e	Taxable dependent care benefits from Form 2441, line 26	1e	
1f	Employer-provided adoption benefits from Form 8839, line 29	1f	
1g	Wages from Form 8919, line 6	1g	
1h	Other earned income (see instructions)	1h	0.
1i	Nontaxable combat pay election (see instructions)	1i	
1j	Add lines 1a through 1h	1j	50,000.
2a	Tax-exempt interest	2a	
2b	Taxable interest	2b	1,700.
3a	Qualified dividends	3a	3,000.
3b	Ordinary dividends	3b	3,000.
4a	IRA distributions	4a	
4b	Taxable amount	4b	
5a	Pensions and annuities	5a	
5b	Taxable amount	5b	
6a	Social security benefits	6a	
6b	Taxable amount	6b	
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here	7	1,000.
8	Other income from Schedule 1, line 10	8	102,490.
9	Add lines 1j, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9	156,190.
10	Adjustments to income from Schedule 1, line 26	10	6,703.
11	Subtract line 10 from line 9. This is your adjusted gross income	11	149,487.
12	Standard deduction or itemized deductions (from Schedule A)	12	25,900.
13	Qualified business income deduction from Form 8995 or Form 8995-A	13	18,997.
14	Add lines 12 and 13	14	44,897.
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income	15	104,590.

1040 Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return 2022
 OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Spouse's Social Security Number

Your social security number: **000-00-0000**

1	
2a	
2b	49,140.
4	
5	53,350.
6	
7	

Attach Schedule C

8a	
8b	
8c	
8d	
8e	
8f	
8g	
8h	
8i	
8j	
8k	
8l	
8m	
8n	
8o	
8p	
8q	
8r	
8s	
8t	
8u	
8z	

SR, or 1040-NR, line 8 **10** 102,490.

Schedule 1 (Form 1040) 2022

Documentation matrix

case study, pg 107

This matrix identifies the documentation you need from self-employed borrowers to substantiate the various types of income they may receive from different business structures.

Note: All documents must be from the most recent 2-year period. The borrower must sign all tax returns and year-to-date information. Request business tax returns when the borrower has 25% or greater ownership interest in a business.



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



Now what?

MGIC

Converting Taxable Income to Cash Flow



1065 U.S. Return of Partnership Income OMB No. 1545-0023

For calendar year 2012 or the year beginning 2012, ending 2012

Department of the Treasury Internal Revenue Service

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

22 2012

1 Partner business name: **PEACHECKERS DEVELOPMENT, LLC**

2 Principal partner or partner: **PEACHECKERS DEVELOPMENT, LLC**

3 Business code number: **5412** City or town, state or province, county, and ZIP or foreign postal code: **JACKSON, TN 38355**

4 Check applicable boxes: Final return Name change Address change Amended return

5 Check accounting method: Cash Accrual Other (specify)

6 Number of Schedules K-1: **1** Attach only to each partner and sole proprietor at the end of this page.

7 Check if Schedule C (and F) are attached: Yes No

8 Check if partner: Individual partner for active self-employment Trust or estate partner Other partner (specify)

9 Check if partner: Individual partner for passive self-employment Trust or estate partner Other partner (specify)

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

1a	Gross receipts or sales	1a	15
1b	Returns and allowances	1b	15
2	Balance. Subtract line 1b from line 1a	2	15
3	Cost of goods sold (attach Form 1125-A)	3	2
4	Gross profit. Subtract line 3 from line 2	4	13
5	Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)	5	4
6	Net farm profit (loss) (attach Schedule F (Form 1042B))	6	1
7	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)	7	1
8	Other income (loss) (attach statement)	8	1
9	Total income (loss). Combine lines 4 through 8	9	19
10	Salaries and wages (other than to partners) (less employment credits)	10	9
11	Guaranteed payments to partners	11	13
12	Repairs and maintenance	12	11
13	Bad debts	13	13
14	Rent	14	13
15	Taxes and licenses	15	14
16	Interest (see instructions)	16	15
17	Depreciation (if required, attach Form 4562)	17	16
18	Less depreciation recapture or Form 1033 as applicable on real estate	18	16
19	Depletion (do not deduct oil and gas depletion)	19	17
20	Retirement plans, etc.	20	18
21	Employee benefit programs	21	19
22	Other deductions (attach statement)	22	20
23	Total deductions. Add the amounts shown in the far right column for lines 8 through 22	23	149
24	Ordinary business income (loss). Subtract line 23 from line 9	24	25
25	Interest due under the look-back method - completed long-term contracts (attach Form 6097)	25	23
26	Interest due under the look-back method - income benefit method (attach Form 8866)	26	23
27	BSA AAR imposed underpayment (see instructions)	27	23
28	Other taxes (see instructions)	28	23
29	Total before tax. Add lines 23 through 28	29	22
30	Payment (see instructions)	30	23
31	Amount owed. If line 29 is larger than line 27, enter amount owed	31	23
32	Overpayment. If line 29 is larger than line 27, enter overpayment	32	23

Sign Here: **PEACHECKERS DEVELOPMENT, LLC**

Preparer Use Only: **V.I.P. TAX, INC.**



SAM Method Cash Flow Analysis Worksheet MGIC

BORROWER BORROWER CO-BORROWER BANK DATE: _____

YEAR 1: _____ YEAR 2: _____

SCHEDULE D - INTEREST AND DIVIDENDS FROM SELF-EMPLOYMENT

SCHEDULE D - SOLE PROPRIETORSHIP

SCHEDULE D - CAPITAL GAINS AND LOSSES

SCHEDULE D - SUPPLEMENTAL INCOME BRIDGES (SEE INSTRUCTIONS)

SCHEDULE F - FARM INCOME

Partnership Cash Flow

Enter the balance in the appropriate year number:

PARTNERSHIP

PARTNERSHIP

PARTNERSHIP

PARTNERSHIP

PARTNERSHIP

PARTNERSHIP

PARTNERSHIP

S Corporation Cash Flow

Enter the balance in the appropriate year number:

S CORPORATION

S CORPORATION

S CORPORATION

S CORPORATION

S CORPORATION

S CORPORATION

S CORPORATION

Corporation Cash Flow

Enter the balance in the appropriate year number:

CORPORATION

CORPORATION

CORPORATION

CORPORATION

3 key concepts

case study, pg 6



Noncash expense

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



IRS limited loss/expense

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



Recurring & nonrecurring income and expense

- Recurring
 - ▶ Income: Expected to continue 3 or more years
 - ▶ Expense: Day-to-day cost of business operations
- Nonrecurring
 - ▶ Income: **One-time occurrence**
(e.g., sale of an asset, prize)
 - ▶ Expense: **Extraordinary one-time occurrence**
(e.g., casualty loss)



A photograph of a young woman and a young man sitting together in a room with vertical wood paneling. The woman, on the left, has dark hair with bangs and is wearing a light-colored, textured knit sweater. She is smiling broadly and looking towards the man. The man, on the right, has dark hair and a beard, and is wearing a tan button-down shirt over a light blue t-shirt. He is also smiling and looking at the woman. A semi-transparent blue horizontal band is overlaid across the middle of the image, containing the text "Meet the borrowers" in white, bold, sans-serif font.

Meet the borrowers

John & Ginny Borrower

- Married, no dependents
- John has an interest in 3 companies
- Ginny has an interest in 2 companies
- Own 3 rental properties
 - ▶ **Schedule E, page 1**

MGIC



Meet John Borrower

- Sole proprietor of Tech in a Sec
 - ▶ **Schedule C**
- 20% partner in Tanglewood Realty
 - ▶ **Partnership (1065) Schedule K-1**
- 50% shareholder of Digital Network Systems, an S Corporation
 - ▶ **S Corporation (1120-S) Schedule K-1**
 - ▶ **Form 1120-S**
 - ▶ **SEB W-2 may also be required**

	Sole Proprietorship	Partnership (General, Limited or LLC)	S Corporation	Corporation
Form 1040: U.S. Individual Income Tax Return) with all applicable schedules and W-2s	X	X	X	X
Schedule C: Profit or Loss from Business	X			
Schedule E, Part II: Income or Loss From Partnerships or S Corporations		X	X	
Schedule K-1 (Form 1065): Partner's Share of Income, Deductions, Credits, etc.		X		
Form 1065: U.S. Return of Partnership Income with all applicable schedules		X		
Schedule K-1 (Form 1120-S): Shareholder's Share of Income, Deductions, Credits, etc.			X	
Form 1120-S: U.S. Income Tax Return for an S Corporation with all applicable schedules			X	
Form 1120: U.S. Corporate Income Tax Return with all applicable schedules				X
Year-to-Date Profit & Loss				



	Sole Proprietorship	Partnership (General, Limited or LLC)	S Corporation	Corporation
Form 1040: U.S. Individual Income Tax Return) with all applicable schedules and W-2s	X	X	X	X
Schedule C: Profit or Loss from Business	X			
Schedule E, Part II: Income or Loss From Partnerships or S Corporations		X	X	
Schedule K-1 (Form 1065): Partner's Share of Income, Deductions, Credits, etc.		X		
Form 1065: U.S. Return of Partnership Income with all applicable schedules		X		
Schedule K-1 (Form 1120-S): Shareholder's Share of Income, Deductions, Credits, etc.			X	
Form 1120-S: U.S. Income Tax Return for an S Corporation with all applicable schedules			X	
Form 1120: U.S. Corporate Income Tax Return with all applicable schedules				X
Year-to-Date Profit & Loss Statement/Interim Balance	▼	▼	▼	▼

Meet Ginny Borrower

- 50% partner in Westchester Development, LLC (property owner)
 - ▶ Partnership Schedule K-1
 - ▶ Form 1065
 - ▶ Form 8825
- 100% owner of Interior Innovations, Inc.
 - ▶ SEB W-2
 - ▶ Form 1120

Schedule C
Sole Proprietorship
case study, pg 24-28



Schedule C

- Sole proprietorship
 - ▶ Single business owner
 - ▶ Report profit and loss on Schedule C
 - ▶ All profits flow directly to owner
 - ▶ Owner pays taxes on profits
 - ▶ In some instances, an LLC may be filed with Schedule C



SAM Cash Flow Worksheet

X SCHEDULE C - SOLE PROPRIETORSHIP	
Name: Tech In A Sec	
3	Net Profit (Loss): LINE 31
4	Deduct nonrecurring income/add nonrecurring loss or expense LINE 6
5	Depletion: LINE 12
6	Depreciation: LINE 13
7	Meals or Meals and Entertainment Exclusion: LINE 24b
8	Business Use of Home: LINE 30
9	Business Miles: page , part IV, LINE 44a
10a	x Depreciation Rate 2021: \$0.26, 2020: \$0.27, 2019: \$0.26
10b	= Total Mileage Depreciation
11	Amortization Casualty Loss (only if noted): page 2, part V
SUBTOTAL	

Limited IRS deductions

- Meals
- Travel & entertainment

Nonrecurring income & expenses

- Other income
- Other expenses

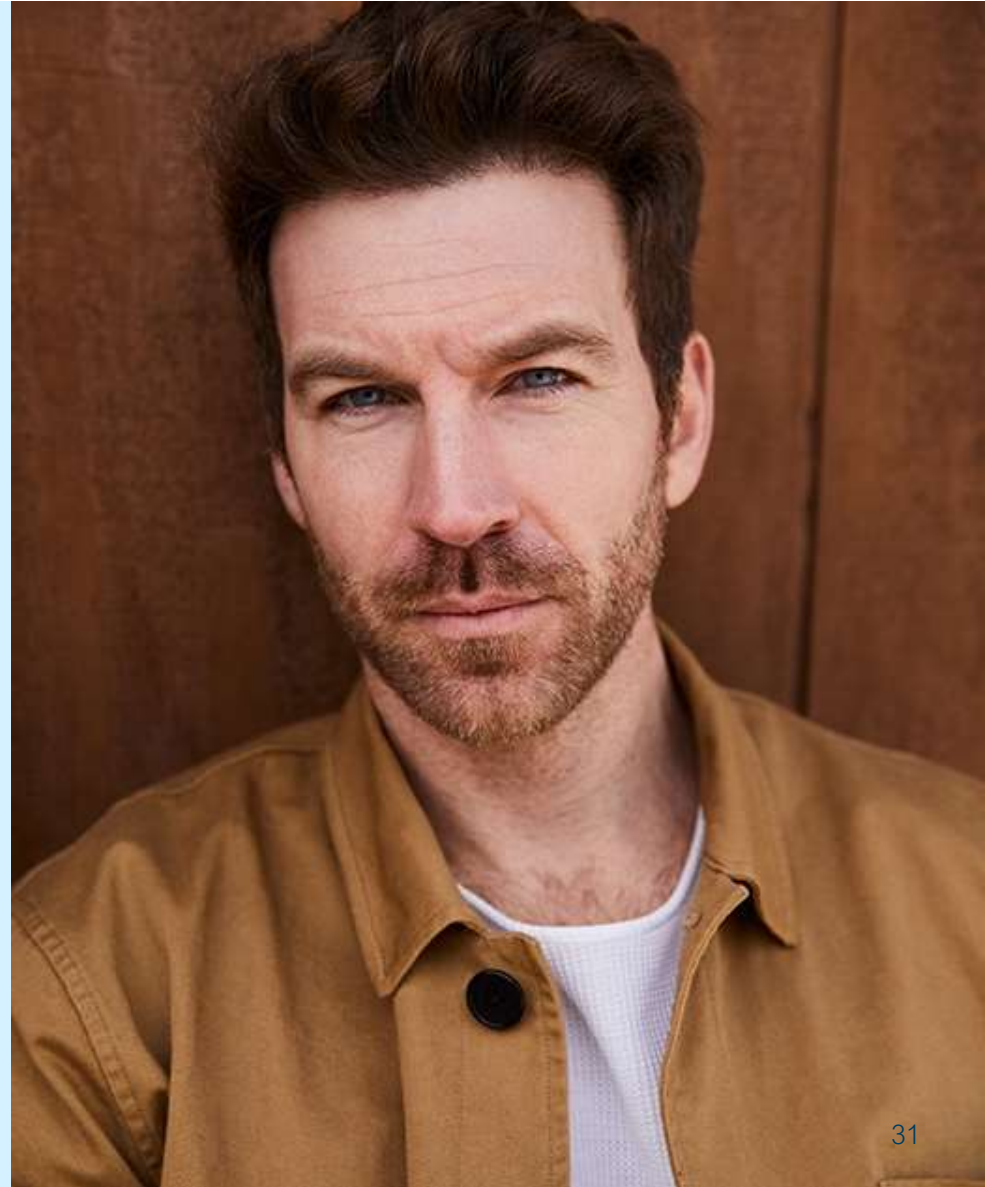
Non-cash expenses

- Depreciation
- Depletion
- Amortization

Meet John Borrower

- Sole proprietor of Tech in a Sec
 - ▶ Started in 2009
 - ▶ Schedule C

MGIC



Schedule C
Case study,
page 25

SCHEDULE C (Form 1040)
Profit or Loss From Business (Sole Proprietorship)
Go to www.irs.gov/ScheduleC for instructions and other information.
Attach to Form 1040, 1040-SR, 1040-NR, or 1041; part of Form 1099.

Department of the Treasury
Internal Revenue Service

Name of proprietor
John Borrower

Principal business or profession, including product or service (see instructions). If none, leave blank.

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

C Business name. If no separate business name, leave blank.
Tech in a Sec

Business address (including suite or apartment number, if any). Do not include P.O. box.
City, town or post office, state, and ZIP Code

B Enter code from instructions
8 1 1 4 9 0

2022
Attachment Sequence No. **09**

OMB No. 1545-0074

15 Insurance (other than health) **15**

16 Interest (see instructions):
a Mortgage (paid to banks, etc.) **16a**
b Other **16b**

17 Legal and professional services **17**

28 Total expenses before expenses for business

29 Tentative profit or (loss). Subtract line 28 from line 27.

30 Expenses for business use of your home. Do not include expenses for depreciation, interest, or taxes. See instructions for the simplified method. See instructions for the standard method.
Simplified method filers only: Enter the total square feet of the part of your home used for business: _____
Method Worksheet in the instructions to figure the allowable expense.

31 Net profit or (loss). Subtract line 30 from line 29.
• If a profit, enter on both Schedule 1 (Form 1040), line 3, and Schedule SE, line 2. (If you checked the box on line 1, see the line 31 instructions.) Estates and trusts must check the box on line 1, see the line 31 instructions.)
• If a loss, you must go to line 32.

32 If you have a loss, check the box that describes your investment in the business.
• If you checked 32a, enter the loss on both Schedule 1 (Form 1040), line 3, and Schedule SE, line 2. (If you checked the box on line 1, see the line 31 instructions.) Estates and trusts must check the box on line 1, see the line 31 instructions.
• If you checked 32b, you must attach Form 6198. Your loss may be limited.

For Paperwork Reduction Act Notice, see the separate instructions. **BAA** REV 01/28/23 TTW Schedule C (Form 1040) 2022

Is there a demand for the business product or service?

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

Is the business in existence?

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



**SCHEDULE C
(Form 1040)**

**Profit or Loss From Business
(Sole Proprietorship)**

OMB No. 1545-0074

2022
Attachment
Sequence No. 09

Department of the Treasury
Internal Revenue Service

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

Name of proprietor John Borrower		Social security number (SSN) 000-00-0000
A Principal business or profession, including product or service (see instructions) Computer Repair Service	B Enter code from instructions 8 1 1 4 9 0	
C Business name. If no separate business name, leave blank. Tech in a Sec		D Employer ID number (EIN) (see instr.)
E Business address (including suite or room no.) 1400 W Commercial Ave City, town or post office, state, and ZIP code Jackson, TN 38305		
F Accounting method: (1) <input checked="" type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify)		
G Did you "materially participate" in the operation of this business during 2022? If "No," see instructions for limit on losses		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
H If you started or acquired this business during 2022, check here		<input type="checkbox"/> Yes <input type="checkbox"/> No
I Did you make any payments in 2022 that would require you to file Form(s) 1099? See instructions		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
J If "Yes," did you or will you file required Form(s) 1099?		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Part I Income

1 Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/>	1	97,200.
2 Returns and allowances	2	
3 Subtract line 2 from line 1	3	97,200.
4 Cost of goods sold (from line 42)	4	28,000.
5 Gross profit. Subtract line 4 from line 3	5	69,200.
6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	4,500.
7 Gross income. Add lines 5 and 6	7	73,700.

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

8 Advertising	8		18 Office expense (see instructions)	18	50.
9 Car and truck expenses (see instructions)	9	7,260.	19 Pension and profit-sharing plans	19	
10 Commissions and fees	10		20 Rent or lease (see instructions):		
11 Contract labor (see instructions)	11		a Vehicles, machinery, and equipment	20a	
12 Depletion	12		b Other business property	20b	
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	2,400.	21 Repairs and maintenance	21	
14 Employee benefit programs (other than on line 19)	14		22 Supplies (not included in Part III)	22	
15 Insurance (other than health)	15	1,000.	23 Taxes and licenses	23	
16 Interest (see instructions):			24 Travel and meals:		
a Mortgage (paid to banks, etc.)	16a	3,800.	a Travel	24a	
b Other	16b		b Deductible meals (see instructions)	24b	1,000.
17 Legal and professional services	17	600.	25 Utilities	25	1,650.
26 Total expenses before expenses for business use of home. Add lines 8 through 27a	26	24,560.	26 Wages (less employment credits)	26	6,000.
27 Tentative profit or (loss). Subtract line 28 from line 7	27	49,140.	27a Other expenses (from line 48)	27a	800.
28 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions.	28		b Reserved for future use	27b	

30 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions.

Simplified method filers only: Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30

31 Net profit or (loss). Subtract line 30 from line 29.

• If a profit, enter on both **Schedule 1 (Form 1040), line 3**, and on **Schedule SE, line 2**. (If you checked the box on line 1, see instructions.) Estates and trusts, enter on **Form 1041, line 3**.

• If a loss, you **must** go to line 32.

32 If you have a loss, check the box that describes your investment in this activity. See instructions.

• If you checked 32a, enter the loss on both **Schedule 1 (Form 1040), line 3**, and on **Schedule SE, line 2**. (If you checked the box on line 1, see the line 31 instructions.) Estates and trusts, enter on **Form 1041, line 3**.

• If you checked 32b, enter the loss on both **Schedule 1 (Form 1040), line 3**, and on **Schedule SE, line 2**. (If you checked the box on line 1, see the line 31 instructions.) Estates and trusts, enter on **Form 1041, line 3**.

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



Name: Tech in a Sec	
3 Net Profit (Loss): LINE 31	\$ 49,140.00
4 Deduct nonrecurring income/add nonrecurring loss or expense: LINE 6	\$ (4,500.00)
5 Depletion: LINE 12	
6 Depreciation: LINE 13	\$ 2,400.00
7 Meals or Meals and Entertainment Exclusion: LINE 24b	(\$ 1,000.00)
8 Business Use of Home: LINE 30	
9 Business Miles: page 2, part IV, LINE 44a	*Miles
10a x Depreciation Rate 2022: \$0.26, 2021: \$0.26, 2020: \$0.27	
10b = Total Mileage Depreciation	
11 Amortization/Casualty Loss (only if noted): page 2, part V	
SUBTOTAL	\$ 46,040.00

Two types of depreciation

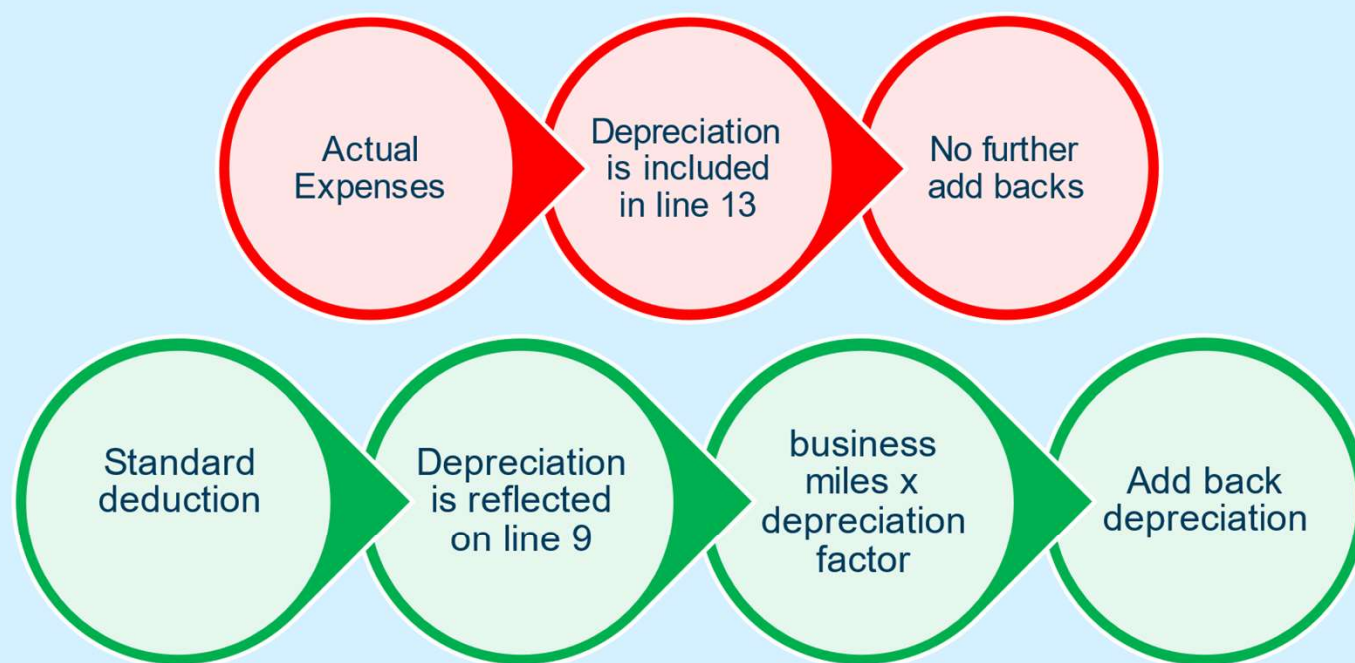
Business equipment or machinery



Vehicle depreciation



Actual expenses vs. standard deduction



Part III Cost of Goods Sold (see instructions)

33 Method(s) used to value closing inventory: a Cost b Lower of cost or market c Other (attach explanation)
 34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation Yes No
 35 Inventory at beginning of year. If different from last year's closing inventory, attach explanation 35 26,000.
 36 Purchases less cost of items withdrawn for personal use 36 15,000.

Business Miles x Depreciation Rate

40 Add lines 35 through 39 40 43,000.
 41 Inventory at end of year 41 15,000.
 42 Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on line 4 42 28,000.

Part IV Information on Your Vehicle. Complete this part only if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month/day/year) 01/01/2019
 44 Of the total number of miles you drove your vehicle during 2022, enter the number of miles you used your vehicle for:
 a Business 12,000 b Commuting (see instructions) c Other 8,000
 45 Was your vehicle available for personal use during off-duty hours? Yes No
 46 Do you (or your spouse) have another vehicle available for personal use? Yes No
 47a Do you have evidence to support your deduction? Yes No
 b If "Yes," is the evidence written? Yes No

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

Dues 100.
 Laundry 400.
 Casualty Loss 300.
 48 Total other expenses. Enter here and on line 27a 48 800.



Year	Standard Deduction	Depreciation
2020	57.5¢	27¢
2021	56.0¢	26¢
1/1/22 through 6/30/22	58.5¢	26¢
7/1/22 through 12/31/22	62.5¢	26¢

Name: Tech in a Sec		
3	Net Profit (Loss): LINE 31	\$ 49,140.00
4	Deduct nonrecurring income/add nonrecurring loss or expense: LINE 6	\$ (4,500.00)
5	Depletion: LINE 12	
6	Depreciation: LINE 13	\$ 2,400.00
7	Meals or Meals and Entertainment Exclusion: LINE 24b	(\$ 1,000.00)
8	Business Use of Home: LINE 30	
9	Business Miles: page 2, part IV, LINE 44a	*Miles
10a	x Depreciation Rate 2022: \$0.26, 2021: \$0.26, 2020: \$0.27	
10b	= Total Mileage Depreciation	
11	Amortization/Casualty Loss (only if noted): page 2, part V	
SUBTOTAL		\$ 46,040.00

Where to find business miles



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

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

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

Part III Cost of Goods Sold (see instructions)

33	Method(s) used to value closing inventory: a <input checked="" type="checkbox"/> Cost b <input type="checkbox"/> Lower of cost or market c <input type="checkbox"/> Other (attach explanation)		
34	Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
35	Inventory at beginning of year. If different from last year's closing inventory, attach explanation	35	26,000.
36	Purchases less cost of items withdrawn for personal use	36	15,000.
37	Cost of labor. Do not include any amounts paid to yourself	37	
38	Materials and supplies	38	2,000.
39	Other costs	39	
40	Add lines 35 through 39	40	43,000.
41	Inventory at end of year	41	15,000.
42	Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on line 4	42	28,000.

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month/day/year) 01/01/2019

44 Of the total number of miles you drove your vehicle during 2022, enter the number of miles you used your vehicle for:

a Business	<u>12,000</u>	b Commuting (see instructions)		c Other	<u>8,000</u>
------------	---------------	--------------------------------	--	---------	--------------

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

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

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

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

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1	(b) Vehicle 2	(c) Vehicle 3	(d) Vehicle 4	(e) Vehicle 5	(f) Vehicle 6
30 Total business/investment miles driven during the year (don't include commuting miles)						
31 Total commuting miles driven during the year						
32 Total other personal (noncommuting) miles driven						
33 Total miles driven during the year. Add lines 30 through 32						
34 Was the vehicle available for personal use during off-duty hours?	Yes No	Yes No	Yes No	Yes No	Yes No	Yes No
35 Was the vehicle used primarily by a more than 5% owner or related person?						
36 Is another vehicle available for personal use?						

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

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who aren't more than 5% owners or related persons. See instructions.

37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?	Yes	No
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? See instructions		

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," don't complete Section B for the covered vehicles.

Cross Check to determine if standard deduction was taken

1

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 9. **If you must file Form 4562, you must file Form 4562.**

43 When did you place your vehicle in service for business purposes? (month/day/year) 01/01/2019

44 Of the total number of miles you drove your vehicle during 2022, enter the number of miles you used your vehicle for:

a Business 12,000 b Commuting (see instructions) c Other 8,000

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

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

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

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

Sched C
pg 2

2

Checking the math:

Miles x Std Ded

6,000 x .585 = \$3,510

6,000 x .625 = \$3,750

\$7,260

Line 9 = \$7,260

Year	Standard Deduction	Depreciation
2020	57.5¢	27¢
2021	56.0¢	26¢
1/1/22 through 6/30/22	58.5¢	26¢
7/1/22 through 12/31/22	62.5¢	26¢

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

8 Advertising	8		18 Other expense (see instructions)	18	50.
9 Car and truck expenses (see instructions)	9	7,260.	19 Other profit-sharing plans	19	
10 Commissions and fees	10		20 Other (see instructions)	20	
11 Contract labor (see instructions)	11		a Vehicles, machinery, and equipment		
12 Depletion	12		b Other business property	20b	
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	2,400.	21 Repairs and maintenance	21	
14 Employee benefit programs (other than on line 19)	14		22 Supplies (not included in Part III)	22	
15 Insurance (other than health)	15	1,000.	23 Taxes and licenses	23	
16 Interest (see instructions):			24 Travel and meals:		
a Mortgage (paid to banks, etc.)	16a	3,800.	a Travel	24a	
b Other	16b		b Deductible meals (see instructions)	24b	1,000.
17 Legal and professional services	17	600.	25 Utilities	25	1,650.
			26 Wages (less employment credits)	26	6,000.
			27a Other expenses (from line 48)	27a	800.
			b Reserved for future use	27b	

Sched C
pg 1

Part III Cost of Goods Sold (see instructions)

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

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

35 Inventory at beginning of year. If different from last year's closing inventory, attach explanation **35** 26,000.

36 Purchases less cost of items withdrawn for personal use **36** 15,000.

Business Miles x Depreciation Rate

40 Add lines 35 through 39 **40** 43,000.

41 Inventory at end of year **41** 15,000.

42 Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on line 4 **42** 28,000.

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month/day/year) 01/01/2019

44 Of the total number of miles you drove your vehicle during 2022, enter the number of miles you used your vehicle for:
 a Business 12,000 b Commuting (see instructions) _____ c Other 8,000

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

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

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

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

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

Dues	100.
Laundry	400.
Casualty Loss	300.
48 Total other expenses. Enter here and on line 27a 48	800.



Name:	Tech in a Sec	2022
3	Net Profit (Loss): LINE 31	\$ 49,140.00
4	Deduct nonrecurring income/add nonrecurring loss or expense: LINE 6	\$ (4,500.00)
5	Depletion: LINE 12	
6	Depreciation: LINE 13	\$ 2,400.00
7	Meals or Meals and Entertainment Exclusion: LINE 24b	(\$ 1,000.00)
8	Business Use of Home: LINE 30	
9	Business Miles: page 2, part IV, LINE 44a	*Miles 12,000
10a	x Depreciation Rate 2022: \$0.26, 2021: \$0.26, 2020: \$0.27	\$ 0.26
10b	= Total Mileage Depreciation	\$ 3,120.00
11	Amortization/Casualty Loss (only if noted): page 2, part V	
SUBTOTAL		\$ 49,160.00

Part III Cost of Goods Sold (see instructions)

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

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

35 Inventory at beginning of year. If different from last year's closing inventory, attach explanation	35	26,000.
36 Purchases less cost of items withdrawn for personal use	36	15,000.
37 Cost of labor. Do not include any amounts paid to yourself	37	
38 Materials and supplies	38	2,000.
39 Other costs	39	
40 Add lines 35 through 39	40	43,000.
41 Inventory at end of year	41	15,000.
42 Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on line 4	42	28,000.

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month/day/year) 01/01/2019

44 Of the total number of miles you drove your vehicle during 2022, enter the number of miles you used your vehicle for:
a Business 12,000 b Commuting (see instructions) c Other 8,000

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

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

47a Do you have evidence to support your deduction? Yes No
b If "Yes," is the evidence written? Yes No

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

Dues	100.
Laundry	400.
Casualty Loss	300.
48 Total other expenses. Enter here and on line 27a	800.



Name:	Tech in a Sec	2022
3	Net Profit (Loss): LINE 31	\$ 49,140.00
4	Deduct nonrecurring income/add nonrecurring loss or expense: LINE 6	\$ (4,500.00)
5	Depletion: LINE 12	
6	Depreciation: LINE 13	\$ 2,400.00
7	Meals or Meals and Entertainment Exclusion: LINE 24b	(\$ 1,000.00)
8	Business Use of Home: LINE 30	
9	Business Miles: page 2, part IV, LINE 44a	*Miles 12,000
10a	x Depreciation Rate 2022: \$0.26, 2021: \$0.26, 2020: \$0.27	\$ 0.26
10b	= Total Mileage Depreciation	\$ 3,120.00
11	Amortization/Casualty Loss (only if noted): page 2, part V	\$ 300.00
SUBTOTAL		\$ 49,460.00

Effect on cash flow analysis

X SCHEDULE C - SOLE PROPRIETORSHIP		2022	2021
Name: Tech in a Sec		2022	2021
			+ -
3	Net Profit (Loss): LINE 31	\$ 49,140.00	\$ 32,000.00
4	Deduct nonrecurring income/add nonrecurring loss or expense: LINE 6	\$ (4,500.00)	
5	Depletion: LINE 12		
6	Depreciation: LINE 13	\$ 2,400.00	\$ 2,200.00
7	Meals or Meals and Entertainment Exclusion: LINE 24b	(\$ 1,000.00)	(\$ 800.00)
8	Business Use of Home: LINE 30		
9	Business Miles: page 2, part IV, LINE 44a	*Miles 12,000	*Miles 11,500
10a	x Depreciation Rate 2022: \$0.26, 2021: \$0.26, 2020: \$0.27	\$ 0.26	\$ 0.26
10b	= Total Mileage Depreciation	\$ 3,120.00	\$ 2,990.00
11	Amortization/Casualty Loss (only if noted): page 2, part V	\$ 300.00	
SUBTOTAL		\$ 49,460.00	\$ 36,390.00

$/12 = \$4,122$

$/12 = \$3,033$

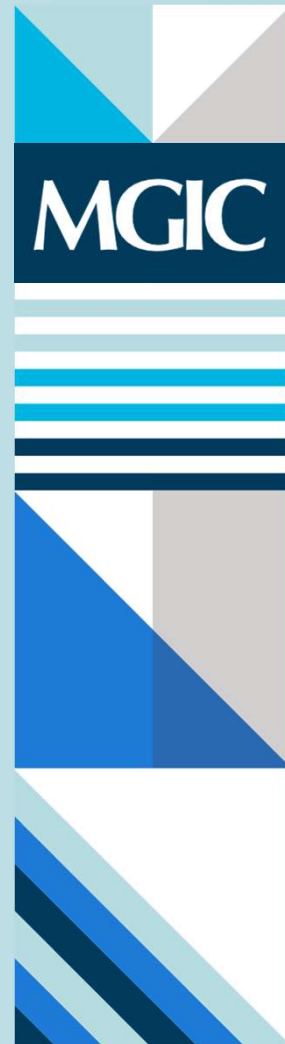
$/24 = \$3,577$



Purpose of cash flow analysis

Verify qualifying income that is:

- ▶ Stable
- ▶ Likely to continue



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Editable, auto-calculating cash flow analysis worksheets for the 2022 tax year.

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Amanda, Underwriter

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The screenshot shows the MGIC website's 'SEB and income analysis worksheets and resources' page. The page features a navigation bar with links for Credit Unions, Get Started with MGIC, MI Basics, Careers, Contact, Investors, Login / Signup, and Search. The main heading is 'SEB and income analysis worksheets and resources', updated for tax year 2022. Below this, there's a section for 'Cash flow analysis worksheets for tax year 2022', which includes a brief description and a link to the 'Schedule Analysis Method (SAM) Worksheet Help document'. Three filter buttons are present: 'Self-employed borrower worksheets', 'Income and rental worksheets', and 'Additional resources'. A yellow banner contains the note: 'PLEASE NOTE: Worksheets must be downloaded and saved before editing.' The 'Self-employed borrower worksheets' section lists three options: 'SAM Cash Flow Analysis and P&L', 'Comparative Income Analysis', and 'Liquidity', each with a description and download links. The 'Income and rental worksheets' section lists 'Income Analysis' and 'Rental Income'.

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Choose from MGIC's editable, auto-calculating worksheets to analyze self-employed borrower cash flow, income from employment and non-employment sources, and rental income.* In addition to our downloadable worksheets, you can link to line-by-line help explanations for personal and business tax returns following the SAM cash flow method by using our [Schedule Analysis Method \(SAM\) Worksheet Help document](#).

Self-employed borrower worksheets Income and rental worksheets Additional resources

PLEASE NOTE: Worksheets must be downloaded and saved before editing.

Self-employed borrower worksheets

Our editable and auto-calculating worksheets are uniquely suited for analyzing cash flow and YTD profit and loss (P&L), comparative income and liquidity. PLEASE NOTE: Self-employed borrower worksheets must be downloaded and saved to your computer before editing them.

SAM Cash Flow Analysis and P&L

Review cash flow by business type using tax returns and P&L statements. Auto-fills income (loss) and displays current income trending. (2/13/2023)

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Comparative Income Analysis

Auto-calculates change percentages from one year to the next. (2/13/2023)

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Liquidity

Auto-calculates current and quick ratios. (2/13/2023)

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Income and rental worksheets

Calculate income (base, overtime, bonus, commission, etc.) and review the cash flow of rental and investment properties quickly with our auto-calculating worksheets. PLEASE NOTE: Income Analysis and Rental Income worksheets must be downloaded and saved to your computer before editing them.

Income Analysis Rental Income

Infographic: Characteristics of 5 common self-employed businesses



CHARACTERISTICS OF 5 COMMON SELF-EMPLOYED BUSINESSES

In mortgage lending, a self-employed borrower is a person who owns 25% or more in an active business.* Review, analysis and calculation of a self-employed borrower's income can be tricky, but understanding business structures is an important first step.

	<p>Sole Proprietorship</p> <ul style="list-style-type: none"> • An unincorporated business with one owner • Unlimited liability • All profits flow directly to owner • Taxed at an individual rate • Individual: Files IRS Schedule C • Business: No returns are filed 	
	<p>Partnership</p> <ul style="list-style-type: none"> • A business arrangement between two or more people/partners • Profit/loss is passed to individual partners • Each partner pays tax on their share of income • Partner: Receives Schedule K-1 and may receive guaranteed payments • Business: Files IRS Form 1065 	
	<p>S Corporation</p> <ul style="list-style-type: none"> • A legal entity that has a limited number of stockholders • Profit/loss is passed to individual stockholders • Each stockholder pays tax on their share of income • Stockholder: Receives Schedule K-1 and may receive W-2 income • Business: Files IRS Form 1120-S 	
	<p>Corporation</p> <ul style="list-style-type: none"> • A legal entity that exists separate from owners who are shareholders • Profits are distributed to shareholders via dividends • The corporation pays taxes • Shareholder: Can receive 1099-DIV and/or W-2 income • Business: Files IRS Form 1120 	
	<p>LLC</p> <ul style="list-style-type: none"> • A limited liability company is a hybrid business • No associated tax forms • Can file using any of the structure-based IRS forms 	

TAKE THE NEXT STEP: Attend an MGIC webinar to gain the critical skills you need to evaluate self-employed borrowers' income.

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The MGIC logo is displayed in a white, bold, sans-serif font against a dark blue background. The letters are spaced out and have a clean, modern appearance.

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