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A woman with dark hair, wearing a blue denim shirt, is seated at a wooden table in a kitchen. She is looking down at a laptop and some papers on the table. The background shows a kitchen with white cabinets, a wooden countertop, and three white pendant lights hanging from the ceiling. A green banner is overlaid on the bottom left of the image.

Understanding Schedule C: Calculating Sole Proprietor Income for Self-Employed Borrowers



Objectives

What we'll discuss today

- Regular vs. recurring
- Business structures
- Reviewing tax returns
- Schedule C income calculation

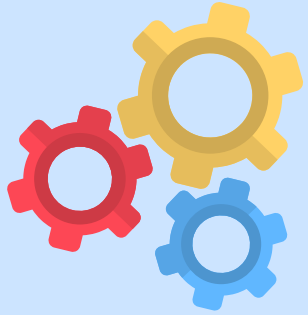
Regular Income

Check to make sure income is predictable and consistent



Recurring Income

Look at the history of receipt and trends to help predict the future of the income stream



Business Structures



Sole Proprietor



Partnership



S Corporation



Corporation



Limited Liability Company (LLC)

| Type | Documents to Request | Also Focus On | Key Income Adjustments | Risks to Look For |
|---|--|-------------------------------------|---|---|
| Sole Proprietorship | 1040 | Schedule C | <ul style="list-style-type: none"> ▪ Business Use of Home ▪ Depreciation ▪ Depletion | <ul style="list-style-type: none"> ▪ Non-recurring other income or losses ▪ Reserves for self employment tax ▪ Accrual method accounting – distorts the borrower’s cash flow and revenue |
| Partnership | 1040 K-1, W-2* 1065 ≥ 25% *If Applicable | Schedule E K-1, W-2 1065 | <ul style="list-style-type: none"> ▪ Guaranteed Payments ▪ Non-recurring Income / Losses ▪ Depreciation ▪ Depletion | <ul style="list-style-type: none"> ▪ Non-recurring other income or losses ▪ Ability to sustain guaranteed payments ▪ Consistency of revenue and profitability ▪ Positive sale and earnings trend ▪ Liquidity to support income withdrawals |
| S Corporation | 1040 K-1, W-2* 1120S ≥ 25% *If Applicable | Schedule E K-1, W-2 1120S | <ul style="list-style-type: none"> ▪ Non-recurring Income / Losses ▪ Depreciation ▪ Depletion | <ul style="list-style-type: none"> ▪ Non-recurring other income or losses ▪ Consistency of revenue and profitability ▪ Positive sales and earnings trend ▪ Liquidity to support income withdrawals |
| Corporation* *Fannie Mae requires 100% ownership to use 1120 income for qualifying. | 1040 W-2 1120 1125-E | Schedule B W-2 1120 1125-E | <ul style="list-style-type: none"> ▪ Non-recurring Income / Losses ▪ Depreciation ▪ Depletion | <ul style="list-style-type: none"> ▪ Non-recurring other income or losses ▪ Consistency of revenue and profitability ▪ Dividends paid to borrower ▪ Positive sales and earnings trend |

| Type | Documents to Request | Also Focus On | Key Income Adjustments |
|---|--|-------------------------------------|---|
| Sole Proprietorship | 1040 | Schedule C | <ul style="list-style-type: none"> ▪ Business Use of Home ▪ Depreciation ▪ Depletion |
| Partnership | 1040 K-1, W-2* 1065 ≥ 25% *If Applicable | Schedule E K-1, W-2 1065 | <ul style="list-style-type: none"> ▪ Guaranteed Payments ▪ Non-recurring Income / Losses ▪ Depreciation ▪ Depletion |
| S Corporation | 1040 K-1, W-2* 1120S ≥ 25% *If Applicable | Schedule E K-1, W-2 1120S | <ul style="list-style-type: none"> ▪ Non-recurring Income / Losses ▪ Depreciation ▪ Depletion |
| Corporation* *Fannie Mae requires 100% ownership to use 1120 income for qualifying. | 1040 W-2 1120 1125-E | Schedule B W-2 1120 1125-E | <ul style="list-style-type: none"> ▪ Non-recurring Income / Losses ▪ Depreciation ▪ Depletion |

What is Business Use of Home?

If the borrower is conducting business from the home, they are permitted to write off a portion of their home expense as a business expense and reduce their taxable income.

Since we are already considering the borrower's housing debt, we would be double-counting this debt obligation if it was not added back to qualifying income.



Two Primary Goals

When analyzing tax returns for qualifying income



Understand the income trends of the borrower and determine if income is regular and recurring.



Address adjustments on the tax return that differentiate taxable income from qualifying income.

**SCHEDULE C
(Form 1040)**

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

OMB No. 1545-0074

2023

Department of the Treasury
Internal Revenue Service
Name of proprietor

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041-
Go to www.irs.gov/ScheduleC for instructions

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

C Business name. If no separate business name, leave blank.

E Business address (including suite or room no.)
City, town or post office, state, and ZIP code

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

G Did you "materially participate" in the operation of this business during 2023?

H If you started or acquired this business during 2023, check here

I Did you make any payments in 2023 that would require you to file Form(s) if "Yes," did you or will you file required Form(s) 1099?

Part I Income

1 Gross receipts or sales. See instructions for line 1 and check the box if the Form W-2 and the "Statutory employee" box on that form was checked.

2 Returns and allowances

3 Subtract line 2 from line 1

4 Cost of goods sold (from line 42)

5 Gross profit. Subtract line 4 from line 3

6 Other income, including federal and state gasoline or fuel tax credit or refund

7 Gross income. Add lines 5 and 6

Part II Expenses. Enter expenses for business use of your home

| | | |
|---|-----|-------|
| 8 Advertising | 8 | 18 C |
| 9 Car and truck expenses (see instructions) | 9 | 19 P |
| 10 Commissions and fees | 10 | 20 R |
| 11 Contract labor (see instructions) | 11 | a V |
| 12 Depletion | 12 | b C |
| 13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions) | 13 | 21 R |
| 14 Employee benefit programs (other than on line 19) | 14 | 22 S |
| 15 Insurance (other than health) | 15 | 23 T |
| 16 Interest (see instructions): | | 24 T |
| a Mortgage (paid to banks, etc.) | 16a | a T |
| b Other | 16b | b D |
| 17 Legal and professional services | 17 | 25 U |
| | | 26 W |
| | | 27a C |
| | | b E |

28 Total expenses before expenses for business use of home. Add lines 8 through 17

29 Tentative profit or (loss). Subtract line 28 from line 7

30 Expenses for business use of your home. Do not report these expense 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:

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 asset:

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

• If you checked 32b, you must attach **Form 6198**. Your loss may be limited by the **Paperwork Reduction Act Notice**, see the separate instructions.

Form **1040** U.S. Individual Income Tax Return **2023** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1-Dec. 31, 2023, or other tax year beginning _____, 2023, ending _____, 2020. See separate instructions.

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/country _____ Foreign postal code _____

Filing Status Single Head of household (HOH) Married filing jointly (even if only one had income) Married filing separately (MFS) Qualifying surviving spouse (QSS)

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: _____

Digital Assets At any time during 2023, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, 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, 1959 Are blind Spouse: Was born before January 2, 1959 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 |
|---|--|----------------|-----------|----------------------------|-------------------------|--------------------------|-----------------------------|
| 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"/> |

| Income | | 1a | 1b | 1c | 1d | 1e | 1f | 1g | 1h | 1i | 1j |
|--------|---|----|----|----|----|----|----|----|----|----|----|
| 1a | Total amount from Form(s) W-2, box 1 (see instructions) | | | | | | | | | | |
| 1b | Household employee wages not reported on Form(s) W-2 | | | | | | | | | | |
| 1c | Tip income not reported on line 1a (see instructions) | | | | | | | | | | |
| 1d | Medicaid waiver payments not reported on Form(s) W-2 (see instructions) | | | | | | | | | | |
| 1e | Taxable dependent care benefits from Form 2441, line 26 | | | | | | | | | | |
| 1f | Employer-provided adoption benefits from Form 8839, line 29 | | | | | | | | | | |
| 1g | Wages from Form 8919, line 6 | | | | | | | | | | |
| 1h | Other earned income (see instructions) | | | | | | | | | | |
| 1i | Nontaxable combat pay election (see instructions) | | | | | | | | | | |
| 1j | Add lines 1a through 1h | | | | | | | | | | |
| 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"/> | | | | | | | | | | |
| 8 | Additional income from Schedule 1, line 10 | | | | | | | | | | |
| 9 | Add lines 12, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total 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 8995 or Form 8995-A | | | | | | | | | | |
| 14 | Add lines 12 and 13 | | | | | | | | | | |
| 15 | Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income | | | | | | | | | | |

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form 1040 (2023)



Tips for Reviewing

Do the 1040 Schedules & Forms support the figures?


Cross-check information for any inconsistencies

Check the flow of information from previous years



Calculating Schedule C Income

Fannie Mae Cash Flow Analysis (Form 1084)



Cash Flow Analysis (Form 1084)

Borrower Name: _____

Business Name (optional): _____

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

| | | |
|--|------------|------------|
| IRS Form 1040 – Individual Income Tax Return | Year _____ | Year _____ |
| 1. W-2 Income from Self-Employment | (+) | (+) |
| 2. Schedule B – Interest and Ordinary Dividends | | |
| a. Interest Income from Self-Employment | (+) | (+) |
| b. Dividends from Self-Employment | (+) | (+) |
| 3. Schedule C – Profit or Loss from Business: Sole Proprietorship | | |
| a. Net Profit or (Loss) | (+/-) | (+/-) |
| b. Nonrecurring Other (Income) Loss/Expenses | (+/-) | (+/-) |
| c. Depletion | (+) | (+) |
| d. Depreciation | (+) | (+) |
| e. Non-deductible Travel and Meals Expenses | (-) | (-) |
| f. Business Use of Home | (+) | (+) |
| g. Amortization/Casualty Loss | (+) | (+) |
| 4. Schedule D – Capital Gains and Losses | | |
| a. Recurring Capital Gains | (+) | (+) |
| 5. Schedule E – Supplemental Income and Loss | | |
| Note: A lender may use Fannie Mae Rental Income Worksheets (Form 1037 or Form 1038) to calculate individual rental income (loss) reported on Schedule E. | | |
| a. Royalties Received | (+) | (+) |
| b. Total Expenses | (-) | (-) |
| c. Depletion | (+) | (+) |
| 6. Schedule F – Profit or Loss from Farming | | |
| a. Net Farm Profit or (Loss) | (+/-) | (+/-) |
| b. Non-Tax Portion Ongoing Coop and CCC Payments | (+) | (+) |
| c. Nonrecurring Other (Income) Loss | (+/-) | (+/-) |
| d. Depreciation | (+) | (+) |
| e. Amortization/Casualty Loss/Depletion | (+) | (+) |
| f. Business Use of Home | (+) | (+) |
| Note: IRS Form 4797 (Sales of Business Property) is not included on this worksheet due to its infrequent use. If applicable, a lender may include analysis of the sale and related recurring capital gains. | | |

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Form 1084 June 2019
Page 1 of 8

IRS Schedule C (Form 1040)

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business
(Sole Proprietorship)

OMB No. 1545-0074

2023

Attachment Sequence No. **09**

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

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

Attachment Sequence No. **09**

Name of proprietor _____ Social security number (SSN) _____

A Principal business or profession, including product or service (see instructions) _____

B Enter code from instructions _____

C Business name, if no separate business name, leave blank. _____

D Employer ID number (EIN) (see instr.) _____

E Business address (including suite or room no.) _____
City, town or post office, state, and ZIP code _____

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

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses Yes No

H If you started or acquired this business during 2023, check here Yes No

I Did you make any payments in 2023 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 <input type="checkbox"/> | 1 |
| 2 | Returns and allowances | 2 |
| 3 | Subtract line 2 from line 1 | 3 |
| 4 | Cost of goods sold (from line 42) | 4 |
| 5 | Gross profit. Subtract line 4 from line 3 | 5 |
| 6 | Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) | 6 |
| 7 | Gross income. Add lines 5 and 6 | 7 |
| Part II Expenses. Enter expenses for business use of your home only on line 30. | | |
| 8 | Advertising | 8 |
| 9 | Car and truck expenses (see instructions) | 9 |
| 10 | Commissions and fees | 10 |
| 11 | Contract labor (see instructions) | 11 |
| 12 | Depletion | 12 |
| 13 | Depreciation and section 179 expense deduction (not included in Part III) (see instructions) | 13 |
| 14 | Employee benefit programs (other than on line 19) | 14 |
| 15 | Insurance (other than health) | 15 |
| 16 | Interest (see instructions): | 16 |
| a | Mortgage (paid to banks, etc.) | 16a |
| b | Other | 16b |
| 17 | Legal and professional services | 17 |
| 18 | Office expense (see instructions) | 18 |
| 19 | Pension and profit-sharing plans (see instructions) | 19 |
| 20 | Rent or lease (see instructions): | 20 |
| a | Vehicles, machinery, and equipment | 20a |
| b | Other business property | 20b |
| 21 | Repairs and maintenance | 21 |
| 22 | Supplies (not included in Part III) | 22 |
| 23 | Taxes and licenses | 23 |
| 24 | Travel and meals: | 24 |
| a | Travel | 24a |
| b | Deductible meals (see instructions) | 24b |
| 25 | Utilities | 25 |
| 26 | Wages (less employment credits) | 26 |
| 27a | Other expenses (from line 48) | 27a |
| 27b | Energy efficient commercial bldgs deduction (attach Form 7205) | 27b |
| 28 | Total expenses before expenses for business use of home. Add lines 8 through 27b | 28 |
| 29 | Tentative profit or (loss). Subtract line 28 from line 7 | 29 |
| 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 |
| 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. | 31 |
| 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. | 32 |
| 32a | <input type="checkbox"/> All investment is at risk. | 32a |
| 32b | <input type="checkbox"/> Some investment is not at risk. | 32b |

For Paperwork Reduction Act Notice, see the separate instructions.
Cat. No. 11334P
Schedule C (Form 1040) 2023

**SCHEDULE C
(Form 1040)**

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business
(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

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

OMB No. 1545-0074

2023

Attachment
Sequence No. **09**

| | | |
|---|--|------------------------------|
| Name of proprietor | | Social security number (SSN) |
| A Principal business or profession, including product or service (see instructions) | B Enter code from instructions | |
| C Business name. If no separate business name, leave blank. | D Employer ID number (EIN) (see instr.) | |
| E Business address (including suite or room no.) _____ City, town or post office, state, and ZIP code _____ | | |
| F Accounting method: (1) <input 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 2023? If "No," see instructions for limit on losses . <input type="checkbox"/> Yes <input type="checkbox"/> No | | |
| H If you started or acquired this business during 2023, check here <input type="checkbox"/> | | |
| I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions <input type="checkbox"/> Yes <input type="checkbox"/> No | | |
| J If "Yes," did you or will you file required Form(s) 1099? <input 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 | |
|---|----------|--|

| | | | |
|-----------|---|-----------|---|
| 28 | Total expenses before expenses for business use of home. Add lines 8 through 27b | 28 | |
| 29 | Tentative profit or (loss). Subtract line 28 from line 7 | 29 | |
| 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 | |
| 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. | 31 | |
| 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. | | 32a <input type="checkbox"/> All investment is at risk. 32b <input type="checkbox"/> Some investment is not at risk. |

| | |
|--|-------------|
| 3. Schedule C – Profit or Loss from Business: Sole Proprietorship | |
| a. Net Profit or (Loss) | (+/-) _____ |
| b. Nonrecurring Other (Income) Loss/Expenses | (+/-) _____ |
| c. Depletion | (+) _____ |
| d. Depreciation | (+) _____ |
| e. Non-deductible Travel and Meals Expenses | (-) _____ |
| f. Business Use of Home | (+) _____ |
| g. Amortization/Casualty Loss | (+) _____ |

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 | |
| 2 | Returns and allowances | 2 | |
| 3 | Subtract line 2 from line 1 | 3 | |
| 4 | Cost of goods sold (from line 42) | 4 | |
| 5 | Gross profit. Subtract line 4 from line 3 | 5 | |
| 6 | Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) | 6 | |
| 7 | Gross income. Add lines 5 and 6 | 7 | |

| | |
|--|-------------|
| 3. Schedule C – Profit or Loss from Business: Sole Proprietorship | |
| a. Net Profit or (Loss) | (+/-) _____ |
| b. Nonrecurring Other (Income) Loss/Expenses | (+/-) _____ |
| c. Depletion | (+) _____ |
| d. Depreciation | (+) _____ |
| e. Non-deductible Travel and Meals Expenses | (-) _____ |
| f. Business Use of Home | (+) _____ |
| g. Amortization/Casualty Loss | (+) _____ |

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

| | | | | | | | |
|-----------|---|------------|--|------------|---|------------|--|
| 8 | Advertising | 8 | | 18 | Office expense (see instructions) | 18 | |
| 9 | Car and truck expenses (see instructions) | 9 | | 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 | | 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 | | 23 | Taxes and licenses | 23 | |
| 16 | Interest (see instructions): | | | 24 | Travel and meals: | | |
| a | Mortgage (paid to banks, etc.) | 16a | | a | Travel | 24a | |
| b | Other | 16b | | b | Deductible meals (see instructions) | 24b | |
| 17 | Legal and professional services | 17 | | 25 | Utilities | 25 | |
| | | | | 26 | Wages (less employment credits) | 26 | |
| | | | | 27a | Other expenses (from line 48) | 27a | |
| | | | | b | Energy efficient commercial bldgs deduction (attach Form 7205) | 27b | |

3. Schedule C – Profit or Loss from Business: Sole Proprietorship

- a. Net Profit or (Loss) (+/-) _____
- b. Nonrecurring Other (Income) Loss/Expenses (+/-) _____
- c. Depletion (+) _____**
- d. Depreciation (+) _____
- e. Non-deductible Travel and Meals Expenses (-) _____
- f. Business Use of Home (+) _____
- g. Amortization/Casualty Loss (+) _____

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

| | | | | | | | |
|-----------|---|------------|--|------------|---|------------|--|
| 8 | Advertising | 8 | | 18 | Office expense (see instructions) | 18 | |
| 9 | Car and truck expenses (see instructions) | 9 | | 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 | | 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 | | 23 | Taxes and licenses | 23 | |
| 16 | Interest (see instructions): | | | 24 | Travel and meals: | | |
| a | Mortgage (paid to banks, etc.) | 16a | | a | Travel | 24a | |
| b | Other | 16b | | b | Deductible meals (see instructions) | 24b | |
| 17 | Legal and professional services | 17 | | 25 | Utilities | 25 | |
| | | | | 26 | Wages (less employment credits) | 26 | |
| | | | | 27a | Other expenses (from line 48) | 27a | |
| | | | | b | Energy efficient commercial bldgs deduction (attach Form 7205) | 27b | |

3. Schedule C – Profit or Loss from Business: Sole Proprietorship

- a. Net Profit or (Loss) (+/-) _____
- b. Nonrecurring Other (Income) Loss/Expenses (+/-) _____
- c. Depletion (+) _____
- d. Depreciation (+) _____**
- e. Non-deductible Travel and Meals Expenses (-) _____
- f. Business Use of Home (+) _____
- g. Amortization/Casualty Loss (+) _____

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) _____ / _____ / _____

44 Of the total number of miles you drove your vehicle during 2023, enter the number of miles you used your vehicle for:

a Business _____ b Commuting (see instructions) _____ c Other _____

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

| 3. Schedule C – Profit or Loss from Business: Sole Proprietorship | |
|---|-------------|
| a. Net Profit or (Loss) | (+/-) _____ |
| b. Nonrecurring Other (Income) Loss/Expenses | (+/-) _____ |
| c. Depletion | (+) _____ |
| d. Depreciation | (+) _____ |
| e. Non-deductible Travel and Meals Expenses | (-) _____ |
| f. Business Use of Home | (+) _____ |
| g. Amortization/Casualty Loss | (+) _____ |

| Year | Depreciation Rate per Mile |
|------|----------------------------|
| 2023 | \$0.28 |
| 2022 | \$0.26 |
| 2021 | \$0.26 |
| 2020 | \$0.27 |
| 2019 | \$0.26 |

If using mileage from 44a:

Depreciation = Miles from 44a × mileage factor*

* Mileage factor currently found in [IRS website](#)

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

| | | | | | | | |
|-----------|---|------------|--|------------|---|------------|--|
| 8 | Advertising | 8 | | 18 | Office expense (see instructions) . | 18 | |
| 9 | Car and truck expenses (see instructions) | 9 | | 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 | | 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 | | 23 | Taxes and licenses | 23 | |
| 16 | Interest (see instructions): | | | 24 | Travel and meals: | | |
| a | Mortgage (paid to banks, etc.) | 16a | | a | Travel | 24a | |
| b | Other | 16b | | b | Deductible meals (see instructions) | 24b | |
| 17 | Legal and professional services | 17 | | 25 | Utilities | 25 | |
| | | | | 26 | Wages (less employment credits) | 26 | |
| | | | | 27a | Other expenses (from line 48) . . | 27a | |
| | | | | b | Energy efficient commercial bldgs deduction (attach Form 7205) . . | 27b | |

3. Schedule C – Profit or Loss from Business: Sole Proprietorship

- a. Net Profit or (Loss) (+/-) _____
- b. Nonrecurring Other (Income) Loss/Expenses (+/-) _____
- c. Depletion (+) _____
- d. Depreciation (+) _____
- e. Non-deductible Travel and Meals Expenses (-) _____
- f. Business Use of Home (+) _____
- g. Amortization/Casualty Loss (+) _____

| | | | |
|-----------|---|-----------|---|
| 28 | Total expenses before expenses for business use of home. Add lines 8 through 27b | 28 | |
| 29 | Tentative profit or (loss). Subtract line 28 from line 7 | 29 | |
| 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 | |
| 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. | 31 | |
| 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. | | 32a <input type="checkbox"/> All investment is at risk. 32b <input type="checkbox"/> Some investment is not at risk. |

| | | |
|--|---|-------------|
| 3. Schedule C – Profit or Loss from Business: Sole Proprietorship | | |
| a. | Net Profit or (Loss) | (+/-) _____ |
| b. | Nonrecurring Other (Income) Loss/Expenses | (+/-) _____ |
| c. | Depletion | (+) _____ |
| d. | Depreciation | (+) _____ |
| e. | Non-deductible Travel and Meals Expenses | (-) _____ |
| f. | Business Use of Home | (+) _____ |
| g. | Amortization/Casualty Loss | (+) _____ |

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

| | | | | | | | |
|-----------|---|------------|--|------------|---|------------|--|
| 8 | Advertising | 8 | | 18 | Office expense (see instructions) . | 18 | |
| 9 | Car and truck expenses (see instructions) | 9 | | 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 | | 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 | | 23 | Taxes and licenses | 23 | |
| 16 | Interest (see instructions): | | | 24 | Travel and meals: | | |
| a | Mortgage (paid to banks, etc.) | 16a | | a | Travel | 24a | |
| b | Other | 16b | | b | Deductible meals (see instructions) | 24b | |
| 17 | Legal and professional services | 17 | | 25 | Utilities | 25 | |
| | | | | 26 | Wages (less employment credits) | 26 | |
| | | | | 27a | Other expenses (from line 48) . . | 27a | |
| | | | | b | Energy efficient commercial bldgs deduction (attach Form 7205) . . | 27b | |

3. Schedule C – Profit or Loss from Business: Sole Proprietorship

- a. Net Profit or (Loss) (+/-) _____
- b. Nonrecurring Other (Income) Loss/Expenses (+/-) _____
- c. Depletion (+) _____
- d. Depreciation (+) _____
- e. Non-deductible Travel and Meals Expenses (-) _____
- f. Business Use of Home (+) _____
- g. Amortization/Casualty Loss (+) _____**

You can only use Amortization / Casualty Loss from 27a. Other



What is Amortization?



- **Amortization is the process of spreading out an intangible asset's cost over the asset's life**
- Intangible assets are identifiable assets but are not physical objects
- Examples include franchise fees, patents, copyrights and cost of obtaining customer lists



What is Casualty Loss?



- **Casualty loss is a sudden or unexpected loss, damage or destruction of property**
- It is deductible during the taxable year the loss occurred
- Examples include flood, hurricane, tornado, fire, earthquake, or volcanic eruption



Where to find Amortization & Casualty Loss (ACL)

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

| | | | | | |
|--|------------|--|---|------------|--|
| 8 Advertising | 8 | | 18 Office expense (see instructions) | 18 | |
| 9 Car and truck expenses (see instructions) | 9 | | 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 | | 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 | | 23 Taxes and licenses | 23 | |
| 16 Interest (see instructions): | | | 24 Travel and meals: | | |
| a Mortgage (paid to banks, etc.) | 16a | | a Travel | 24a | |
| b Other | 16b | | b Deductible meals (see instructions) | 24b | |
| 17 Legal and professional services | 17 | | 25 Utilities | 25 | |
| | | | 26 Wages (less employment credits) | 26 | |
| | | | 27a Other expenses (from line 48) | 27a | |
| | | | b Energy efficient commercial bldgs deduction (attach Form 7205) | 27b | |



Part V Other Expenses. List below business expenses not included on lines 8–26, line 27b, or line 30.

| | |
|--|-----------|
| | |
| | |
| | |
| “Casualty Loss” or “Amortization” may be included here | |
| | |
| | |
| | |
| | |
| | |
| 48 Total other expenses. Enter here and on line 27a | 48 |

Any Questions?



Radian's Self-Employed Cash Flow Calculator

Radian's Self-Employed Cash Flow Analysis Calculator is designed to assist you in underwriting loan applications from self-employed borrowers for coverage with Radian mortgage insurance.

Find it on [Radian.com](https://www.radian.com)

Go to Menu → Tools → Self-Employed Cash Flow Calculator

[Or click here](#)

| radian | | Cash Flow Analysis | | | |
|--|--|-------------------------|--|-------------------|--|
| This cash flow analysis is provided to assist in underwriting loan applications from self-employed borrowers for coverage with Radian mortgage insurance. Any data from the respective forms and schedules listed in the cash-flow analysis should be independently reviewed to determine whether the source was appropriate, can be considered ongoing, consistent, and meets investor requirements and guidelines. | | | | | |
| Supplemental worksheets under tabs at bottom of workbook: | | | | | |
| <ul style="list-style-type: none"> • Instructions – Cash Flow Analysis • Rental Income – Principle Residence Worksheet • Other Rental Income Worksheet • IRS Form 8825 Worksheet | | | | | |
| The following self-employed income analysis and descriptions generally apply to individuals: | | | | | |
| <ul style="list-style-type: none"> • Who have 25% or greater interest in a business • Who are employed by family members • Who are paid commissions • Who own rental property • Who receive variable income, have earnings reported on IRS 1099, or cannot otherwise be verified by an independent and knowable source | | | | | |
| To estimate and analyze a borrower's cash flow situation, enter the required data below according to the calculations that appear on the borrower's tax returns. Line by line explanations are displayed by hovering the cursor over the help (▲) buttons at the beginning of each line. | | | | | |
| Borrower | | | | | |
| Property Address | | | | | |
| Note: For entries with the marker (+/-) use the minus when entering a loss (e.g., -100.00) | | | | | |
| References to IRS line items apply for the 2023 tax year | | | | | |
| 1. IRS Form 1040 – Individual Income Tax Return | | Most Recent Year | | Prior Year | |
| | | Year 20 | | Year 20 | |
| 1. W-2 Income from Self-Employment Line 1 | | (+) | | (+) | |
| 2. Schedule B – Interest and Ordinary Dividends | | | | | |
| a. Interest Income from Self-Employment Schedule B Part I; K-1 Box 5; 1099-Int | | (+) | | (+) | |
| b. Dividends from Self-Employment Schedule B Part II; K-1 Box 6a, 6b; 1099-Div | | (+) | | (+) | |
| 3. Schedule C – Profit or Loss from Business: Sole Proprietorship | | | | | |
| a. Net Profit or (Loss) Line 31 | | (+/-) | | (+/-) | |
| b. Nonrecurring Other (Income) Loss/Expenses Line 6 | | (+/-) | | (+/-) | |
| c. Depletion Line 12 | | (+) | | (+) | |
| d. Depreciation See Line 13 for Actual Depreciation; Standard mileage deduction Part IV Line 44a (2022 0.26 per business mile, 2023: 0.28 per business mile) | | (+) | | (+) | |
| e. Non-deductible Meals and Entertainment Expenses Line 24b | | (-) | | (-) | |
| f. Business Use of Home Line 30 | | (+) | | (+) | |
| g. Amortization/Casualty Loss Part V | | (+) | | (+) | |
| 4. Schedule D – Capital Gains and Losses | | | | | |
| a. Recurring Capital Gains Part I, Line 7 and Part II, line 15 | | (+) | | (+) | |
| 5. Schedule E – Supplemental Income and Loss | | | | | |
| Note: A lender may use the worksheets under the tabs at the bottom of this workbook to calculate individual rental income (loss) reported on Schedule E. | | | | | |
| a. Royalties Received Line 4 | | (+) | | (+) | |
| b. Total Expenses Line 20 | | (-) | | (-) | |
| c. Depletion Line 18 | | (+) | | (+) | |
| d. Rental income/loss from supplemental work sheet(s) | | (+/-) | | (+/-) | |
| 6. Schedule F – Profit or Loss from Farming | | | | | |
| a. Net Farm Profit or (Loss) Line 34 | | (+/-) | | (+/-) | |
| b. Non-Tax Portion Ongoing Coop, Agricultural Program, CCC, or Crop Insurance Payments (3a-3b) + (4a-4b) + (5b-5c) + (6a-6b) | | (+) | | (+) | |
| c. Nonrecurring Other (Income) Loss Line 8 | | (+/-) | | (+/-) | |
| d. Depreciation Line 14 | | (+) | | (+) | |
| e. Amortization/Casualty Loss/Depletion Line 32 | | (+) | | (+) | |
| f. Business Use of Home Line 32 | | (+) | | (+) | |
| 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. | | | | | |

Thank you

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