






I. Form 1040 – Individual Federal Income Tax Return			
	YEAR I _____		YEAR II _____
1. Total Income <i>Line 22</i>			
2. Wages, salaries considered elsewhere <i>W2, Box 1</i>	()	-	()
★ 3. Tax-Exempt Interest Income <i>Line 8b</i>		+	
4. State and Local Tax Refunds <i>Line 10</i>	()	-	()
5. Nonrecurring Alimony Received <i>Line 11</i>	()	-	()
6. Negate Schedule D (Income) Loss <i>Line 13</i>		(+/-)	
★ 7. Pension and/or IRA Distributions <i>Line (15a-15b) x 125% or Line (16a-16b) x 125%</i>		+	
8. Negate Schedule E (Income) Loss <i>Line 17</i>		(+/-)	
9. Nonrecurring Unemployment Compensation <i>Line 19</i>	()	-	()
★ 10. Social Security Benefit <i>Line 20</i>		+	
11. Nonrecurring Other (Income) Loss <i>Line 21</i>		(+/-)	
12. Other			
subtotal Section I		=	
II. Form 2106 – Employee Business Expenses			
1. Total Unreimbursed Expenses <i>Line 8a + 8b</i>	()	-	()
◆ 2. Depreciation <i>Based on Standard Mileage OR Actual Expenses</i>		+	
subtotal Section II		=	
III. Schedule B – Interest and Dividends			
1. Nonrecurring Interest Income <i>Line 1 (as itemized)</i>	()	-	()
2. Nonrecurring Dividend Income <i>Line 5 (as itemized)</i>	()	-	()
subtotal Section III		=	
IV. Schedule C – Sole Proprietorship			
1. Nonrecurring Other (Income) / Loss <i>Line 6</i>		(+/-)	
2. Depletion <i>Line 12</i>		+	
3. Depreciation <i>Line 13</i>		+	
4. Meal & Entertainment Exclusion <i>Line 24b</i>	()	-	()
5. Business Use of Home <i>Line 30</i>		+	
▲ 6. Amortization/Casualty Loss <i>Page 2, Part V (as itemized)</i>		+	
◆ 7. Mileage Depreciation <i>Line 44a x IRS Depreciation Rate</i>		+	
subtotal Section IV		=	
V. Schedule D – Capital Gains and Losses			
1. Recurring Capital Gains/(Losses) <i>Parts I & II (as itemized)</i>		(+/-)	
subtotal Section V		=	
Form 4797(Sale of Business) / Form 6252(Installment Sale Income – Principal Payments Received)			

VI. Schedule E – Royalties (use separate worksheet for rental income analysis)				
1. Gross Royalties Received <i>Line 4, (applicable columns)</i>				
2. Total Expenses <i>Line 20</i>		()	-	()
3. Depletion <i>Line 18</i>			+	
subtotal Section VI			=	
VII. Schedule F – Profit or Loss from Farming				
★ 1. Non-Taxable Ongoing Coop & CCC <i>Lines (3a-3b)+(4a-4b)+(5b-5c)+(6a-6b)</i>			+	
2. Nonrecurring Other (Income) / Loss <i>Line 8 [Lines 8a + 8b (2011)]</i>			(+/-)	
3. Depreciation <i>Line 14</i>			+	
▲ 4. Amortization/Casualty Loss/Depletion <i>Line 32 (as itemized)</i>			+	
5. Business Use of Home/One Time <i>Line 32 (as itemized)</i>			+	
subtotal Section VII			=	
VIII. Complete this Section ONLY if borrower has <u>less than 25%</u> ownership in Partnership – Review Schedule K-1				
★ 1. Ordinary Income, Net Rental Real Estate Income, Other Net Rental Income <i>Box 1,2,3</i>			(+/-)	
2. Distributions <i>Box L OR Box 19</i>			+	
3. Lesser of line 1 or line 2, Section VIII			+	
★ 4. Guaranteed Payments to Partner <i>Box 4</i>			+	
5. subtotal Section VIII			=	
IX. Complete this Section ONLY if borrower has <u>less than 25%</u> ownership in S-Corporation – Review Schedule K-1				
★ 1. Ordinary Income, Net Rental Real Estate Income, Other Net Rental Income <i>Box 1,2,3</i>			(+/-)	
2. Distributions <i>Box 16D</i>			+	
3. Lesser of line 1 or 2, Section IX			+	
subtotal Section IX			=	
Personal Income Total (sections I – IX)			=	

X. Complete this Section if borrower had greater than 25% ownership in Partnership (Form 1065 and Schedule K1)

 1. Pass-Through (Income) or Loss <i>Line 4 Form 1065</i>			(+/-)	
2. Nonrecurring Other (Income) / Loss <i>Lines 5, 6 & 7 Form 1065</i>			(+/-)	
3. Depreciation <i>Line 16a Form 1065</i>			+	
4. Depletion <i>Line 17 Form 1065</i>			+	
 5. Amortization/Casualty Loss/One Time <i>Line 20 (as itemized) Form 1065</i>			+	
6. Mortgage/Notes Payable <1 Year <i>Schedule L, Line 16, Column D Form 1065</i>	()	-	()
7. Meals & Entertainment Exclusion <i>Schedule M1, Line 4b Form 1065</i>	()	-	()
8. Subtotal <i>Combine Lines 1 – 7, Section X</i>			=	
Ownership % _____				
9. Proportional Partnership Income <i>Multiply subtotal by ownership %</i>			=	
10. Ordinary Income (Loss) <i>Box 1 Schedule K1</i>			(+/-)	
11. Net Income (Loss) <i>Box 2 & 3 Schedule K1</i>			(+/-)	
12. Subtotal <i>Combine Lines 9-11, Section X</i>			=	
13. Distributions <i>Box 19, Schedule K1</i>			+	
14. Lesser of Subtotal or Distributions <i>Lesser of Line 12 or Line 13, Section X</i>			=	
 15. Guaranteed Payments to Partner <i>Box 4, Schedule K1</i>			+	
16. Total Income from Partnership <i>Combine Line 14-15, Section X</i>			=	


XI. Complete this Section if borrower has greater than 25% ownership in S-Corporation (Form 1120S and Schedule K1)

 1. Nonrecurring Other (Income) / Loss <i>Lines 4 & 5 Form 1120S</i>			(+/-)	
2. Depreciation <i>Line 14 Form 1120S</i>			+	
3. Depletion <i>Line 15 Form 1120S</i>			+	
 4. Amortization/Casualty Loss/One Time <i>Line 19 (as itemized) Form 1120S</i>			+	
5. Mortgages/Notes Payable <1 Year <i>Schedule L, Line 17, Column D Form 1120S</i>	()	-	()
6. Meals & Entertainment Exclusion <i>Schedule M1, Line 3b Form 1120S</i>	()	-	()
7. Subtotal <i>Combine Lines 1-6, Section XI</i>			=	
Ownership % _____				
8. Proportional S-Corporation Income <i>Multiply subtotal by ownership %</i>			=	
9. Ordinary Income (Loss) <i>Box 1 Schedule K1</i>			(+/-)	
10. Net Income (Loss) <i>Box 2 & 3 Schedule K1</i>			(+/-)	
11. Subtotal <i>Combine Lines 8-10, Section XI</i>			=	
12. Distribution <i>Box 16 D Form 1120S</i>			+	
13. Total Income from S-Corp <i>Lesser of Line 11 or 12, Section XI</i>			=	

XII. Corporation (Form 1120)				
1. Taxable Income	Line 30			
2. Total Tax	Line 31	()	-	()
3. Nonrecurring (Gains) or Losses	Lines 8 & 9		(+/-)	
4. Nonrecurring Other (Income) / Loss	Line 10		(+/-)	
5. Depreciation	Line 20		+	
6. Depletion	Line 21		+	
▲ 7. Amortization/Casualty Loss/One Time	Line 26 (as itemized)		+	
8. Net Operating Loss/Special Deductions	Line 29c		+	
9. Mortgages/Notes Payable <1 Year	Schedule L, Line 17, Column D	()	-	()
10. Meals & Entertainment Exclusion	Schedule M1, Line 5c	()	-	()
11. Subtotal	Combine Lines 1 – 10, Section XII		=	
Ownership % _____				
12. Adjusted Subtotal	Multiply subtotal by ownership %		=	
13. Enter Corporate Dividends Paid	From Schedule B, Form 1040, This Corp	()	-	()
14. Total Corporate Income	Subtract Dividends from Subtotal		=	

WORKSHEET TOTALS				
Personal Tax Returns	Combine All Lines Sections I - IX		(+/-)	
■ Partnership Return	Enter Amount from Section X, Line 16		(+/-)	
■ S-Corporation Return	Enter Amount from Section XI, Line 13		(+/-)	
● Corporation Return	Enter Amount from Section XII, Line 14		(+/-)	
Total Income from Tax Returns	Combine Personal & Business Incomes		=	
Total Income _____ ÷ # months _____ = _____ Monthly Income				

TIPS & HINTS

- ★ Adjust for **Recurring** Income/Loss ONLY. Proper documentation must be in the file to include Income, which must be documented as stable and likely to continue for at least 3 more years (if applicable). Guaranteed Payments to Partners is allowed when the borrower has at least a 2 year history of receipt.
- ◆ Review Line 22 of Form 2106 to determine whether the **Standard Mileage Rate** OR **Actual Expenses** have been claimed (**Standard** if complete, **Actual** if blank or \$0):
 - If the **Standard Mileage Rate** has been claimed – Add the amounts on Line 13, then multiply the sum by the **IRS Depreciation Rate** 
 - If **Actual Expenses** have been claimed – Add amounts on Line 28
- ▲ Do NOT automatically add the documented amount on the Line # indicated – add only the itemized amount of the specific allowable add back
- Income from Partnerships/S-Corps can only be considered if the lender obtains documentation verifying the:
 - The borrower has ownership of and access to the income (ex., receipt of K1)
 - The borrower has a stable history of receiving cash distributions of income from the business consistent with the level of business being used to qualify the borrower
 - The business has a positive sales and earnings trend
 - The business has adequate liquidity to support the borrower’s withdrawals without negatively effecting the financial strength of the business.
- For FNMA, Corporate Income may only be used if Borrower has 100% ownership
- Use Caution when considering this income. The Borrower must have a legal right to draw this additional income and the Business must CLEARLY be capable of providing additional income to the Borrower, without severe negative effects.

IRS Depreciation Rates		
2014 - \$.22	2013 - \$.23	
2012 - \$.23		