

# Analysis of Cash Flow (Personal Tax Return)

BORROWER



## Form 1040 – Individual Income Tax Return

20 \_\_\_\_\_

20 \_\_\_\_\_

1. TOTAL INCOME	Line 22	
2. WAGES, SALARIES <b>CONSIDERED ELSEWHERE</b> <sup>1</sup>	Line 7	( )
3. TAX-EXEMPT INTEREST INCOME <sup>2</sup>	Line 8b	
4. STATE AND LOCAL TAX REFUNDS	Line 10	( )
5. NONRECURRING ALIMONY RECEIVED <sup>3</sup>	Line 11	( )
6. NEGATE SCHEDULE D (INCOME) LOSS <sup>4</sup>	Line 13 + Line 14	
7. PENSION AND/OR IRA DISTRIBUTIONS <sup>5</sup>		
	if <b>recurring</b> , add Lines (15a - 15b) + Lines (16a - 16b) x 125%	
	if <b>nonrecurring</b> , subtract Lines (15b + 16b)	
8. NEGATE SCHEDULE E (INCOME) LOSS <sup>4</sup>	Line 17	
9. NONRECURRING UNEMPLOYMENT COMP <sup>3</sup>	Line 19	( )
10. SOCIAL SECURITY BENEFIT <sup>5</sup>		
	if <b>recurring</b> , add Line(20a - 20b) x 125%	
	if <b>nonrecurring</b> , subtract Line 20b	
11. NONRECURRING OTHER (INCOME) LOSS <sup>4</sup>	Line 21	
12. OTHER [NONRECURRING (GAINS) OR LOSSES] <sup>4</sup>	Lines 12 and/or 18 (enter <b>ONLY</b> if Sole Proprietorship or Farm was sold or closed)	

	1	
( )	2	( )
	3	
( )	4	( )
( )	5	( )
	6	
	7	
	8	
( )	9	( )
	10	
	11	
	12	

## Form 2106 – Employee Business Expenses

1. TOTAL UNREIMBURSED EXPENSE	Line 8 Column A + Column B	( )
2. DEPRECIATION (FOLLOW 2A <b>OR</b> 2B INSTRUCTIONS BELOW)		
	<b>HINT:</b> On Form 2106, look at Line 22 (2006 & 2007 returns) or Line 22c (2008 returns). If it is complete, follow 2A, if blank follow 2B	
2A) if <b>standard mileage</b> rate claimed in Section B	Line 13 Column (A + B) x IRS Depreciation Rate*	
2B) if <b>actual expenses</b> claimed in Section C	Line 28 Column A + B	

( )	1	( )
	2	

## Schedule B – Interest and Dividends

1. NONRECURRING INTEREST INCOME <sup>3</sup>	Line 1 (as itemized) or 1040 Line 8a	( )
2. NONRECURRING DIVIDEND INCOME <sup>3</sup>	Line 5 (as itemized) or 1040 Line 9a	( )

( )	1	( )
( )	2	( )

## Schedule C – Sole Proprietorship

1. NONRECURRING OTHER (INCOME) LOSS/EXPENSE <sup>4</sup>	Line 6	
2. DEPLETION	Line 12	
3. DEPRECIATION	Line 13	
4. MEALS AND ENTERTAINMENT EXCLUSION	Line 24b	( )
5. BUSINESS USE OF HOME	Line 30	
6. AMORTIZATION/CASUALTY LOSS/ONE-TIME EXPENSE <sup>6</sup>	Page 2, Part V (as itemized)	
7. MILEAGE DEPRECIATION	Line 44a x IRS Depreciation Rate* (if no mileage on 44a, check for mileage on Form 4562 Line 30)	

	1	
	2	
	3	
( )	4	( )
	5	
	6	
	7	

**Analysis of Cash Flow (Personal Tax Return) *continued***

**Schedule D – Capital Gains and Losses**

1. RECURRING CAPITAL GAINS/(LOSS) <sup>2</sup> Lines 1 and 8 (Column F) as itemized

1

**Form 4797 – Sales of Business Property**

1. RECURRING CAPITAL GAINS/(LOSS) <sup>2</sup> Lines 11 and 12

1

**Form 6252 – Installment Sale Income**

1. PRINCIPAL PAYMENTS RECEIVED <sup>2</sup> Line 21

1

**Schedule E – Rent and Royalty Income**

**For Properties Currently Owned**

1. GROSS RENTS AND ROYALTIES RECEIVED Line 3 + Line 4 (all Columns)

1

2. TOTAL EXPENSES BEFORE DEPRECIATION Line 19 (all Columns)

( )

2

( )

3. AMORTIZATION/CASUALTY LOSS/ONE-TIME EXPENSE <sup>6</sup> Line 18 (all Columns), Line 14 (if documented)

3

4. INSURANCE, MORTGAGE INTEREST, & TAXES  
only if included in Mortgage Payment(s) below Line 9 + Line 12 + Line 16 (all Columns)

4

5. ANNUALIZED MORTGAGE PAYMENT(S) Credit Report or Mortgage Statements x 12

( )

5

( )

**Schedule F – Profit or Loss from Farming**

1. NON-TAX PORTION ONGOING COOP & CCC PMTS Lines (5a - 5b) + (6a - 6b) + (7b - 7c) + (8a - 8b)

1

2. NONRECURRING OTHER (INCOME) LOSS <sup>4</sup> Line 10

2

3. DEPRECIATION Line 16

3

4. AMORTIZATION/CASUALTY LOSS/DEPLETION <sup>6</sup> Line 34 (as itemized)

4

5. BUSINESS USE OF HOME <sup>6</sup> Line 34 (as itemized)

5

**Partners Share of Income – Schedule K-1 (Form 1065)**

1. ORDINARY INCOME (LOSS) <sup>7,8</sup> Line 1 (if loss, subtract full amount – if gain, add only portion shown as distributed on Line 19)

1

2. NET INCOME (LOSS) <sup>7</sup> Line 2 + Line 3

2

3. GUARANTEED PAYMENTS TO PARTNER Line 4

3

**Shareholders Share of Income – Schedule K-1 (Form 1120s)**

1. ORDINARY INCOME (LOSS) <sup>7,8</sup> Line 1 [if loss, subtract full amount – if gain, add only portion shown as distributed on Line 16 (D)]

1

2. NET INCOME (LOSS) <sup>7</sup> Line 2 + Line 3

2

**Total Income from Personal Returns**

1. Subtract income better calculated using current earnings rather than historical (i.e. salary from non self-employment)
2. MUST be recurring to make adjustment. Add if return shows recurring gain. Subtract if return shows recurring loss
3. Always assume this income in nonrecurring UNLESS otherwise documented
4. Add if tax return shows a loss, Subtract if tax return shows a gain
5. Proper documentation must be in the file to include this income.
6. Do not add the total amount on the Line # indicated – add only if it is itemized and is the specific allowable add back
7. Add if the tax return shows stable, recurring income. Subtract if the tax return shows a loss.
8. Check against withdrawals/distributions. Business must have a positive earnings trend and adequate liquidity.

**\*IRS Depreciation Rates**

2008 - \$.21/ mile  
2007 - \$.19/ mile  
2006 - \$.17/ mile

# Analysis of Cash Flow (Business Tax Returns)



## Partnership (Form 1065) Borrower's ownership % listed on Schedule K-1

1. PASS-THROUGH (INCOME) LOSS	
	FROM OTHER PARTNERSHIPS <sup>4</sup> Line 4
2. NONRECURRING OTHER (INCOME) LOSS <sup>4</sup>	Line 5, Line 6 and Line 7
3. DEPRECIATION	Line 16a
4. DEPLETION	Line 17
5. AMORTIZATION/CASUALTY LOSS <sup>6</sup>	Line 20 (as itemized from attached statement)
6. MORTGAGES/NOTES PAYABLE IN LESS THAN 1 YEAR	Schedule L Line 16 Column D
7. MEALS AND ENTERTAINMENT EXCLUSION	Schedule M1 Line 4b
8. SUBTOTAL	
9. TOTAL PARTNERSHIP INCOME	
	MULTIPLY SUBTOTAL BY OWNERSHIP PERCENTAGE LISTED ON SCHEDULE K-1 X _____ =

## S-Corporation (Form 1120s) Borrower's ownership % listed on Schedule K-1

1. NONRECURRING OTHER (INCOME) LOSS <sup>4</sup>	Line 4, Line 5
2. DEPRECIATION	Line 14
3. DEPLETION	Line 15
4. AMORTIZATION/CASUALTY LOSS <sup>6</sup>	Line 19 (as itemized from attached statement)
5. MORTGAGES/ NOTES PAYABLE IN LESS THAN 1 YEAR	Schedule L Line 17 Column D
6. MEALS AND ENTERTAINMENT EXCLUSION	Schedule M1 Line 3b
7. SUBTOTAL	
8. TOTAL S-CORPORATION INCOME	
	MULTIPLY SUBTOTAL BY OWNERSHIP PERCENTAGE LISTED ON SCHEDULE K-1 X _____ =

## Corporation (Form 1120) Borrower's ownership % listed on Schedule E, Page 2

1. TAXABLE INCOME	Line 30
2. TOTAL TAX	Line 31
3. NONRECURRING (GAINS) LOSSES <sup>4</sup>	Line 8 + Line 9
4. NONRECURRING OTHER (INCOME) LOSS <sup>4</sup>	Line 10
5. DEPRECIATION	Line 20
6. DEPLETION	Line 21
7. AMORTIZATION/CASUALTY LOSS <sup>6</sup>	Line 26 (as itemized from attached statement)
8. NET OPERATING LOSS AND SPECIAL DEDUCTIONS	Line 29a + Line 29b
9. MORTGAGES/NOTES PAYABLE IN LESS THAN 1 YEAR	Schedule L Line 17 Column D

20 \_\_\_\_\_

20 \_\_\_\_\_

	1	
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	3	
	4	
	5	
( )	6	( )
( )	7	( )
	8	
	9	
	1	
	2	
	3	
	4	
( )	5	( )
( )	6	( )
	7	
	8	
	1	
( )	2	( )
	3	
	4	
	5	
	6	
	7	
	8	
( )	9	( )

**Analysis of Cash Flow (Business Tax Return) *continued***

**Corporation (Form 1120) *continued***

<b>10. MEALS AND ENTERTAINMENT EXCLUSION</b>	Schedule M1 Line 5c	(	10	(
<b>11. SUBTOTAL</b>			11	
<b>12. MODIFIED SUBTOTAL</b>				
MULTIPLY SUBTOTAL BY OWNERSHIP PERCENTAGE LISTED ON PAGE 2, SCHEDULE E	X _____ =		12	
<b>13. LESS: DIVIDENDS PAID TO BORROWER</b>		(	13	(
Subtract dividends from borrower's corporation	Form 1040 Schedule B, Line 5 (as itemized)		14	
<b>14. TOTAL CORPORATION INCOME</b>				
<b>Totals</b>				
<b>1. TOTAL INCOME FROM PERSONAL RETURN</b>			1	
<b>2. TOTAL INCOME FROM PARTNERSHIP</b>			2	
<b>3. TOTAL INCOME FROM S-CORPORATION</b>			3	
<b>4. TOTAL INCOME FROM CORPORATION</b>	<b>FNMA - Only if 100% Borrower Ownership</b> <b>FHLMC - Does NOT allow Corporate Income</b>		4	
<b>5. GRAND TOTAL</b>			5	

**Monthly Qualifying Income: \$** \_\_\_\_\_

(If averaging one year, take Grand Total of Year One and divide by 12. If averaging two years, add Grand Totals from Years One and Two and divide the Sum by 24. )

**Comments / Notes:**

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<ol style="list-style-type: none"> <li>1. Subtract income better calculated using current earnings rather than historical (i.e. salary from non self-employment)</li> <li>2. MUST be recurring to make adjustment. Add if return shows recurring gain. Subtract if return shows recurring loss</li> <li>3. Always assume this income in nonrecurring UNLESS otherwise documented</li> <li>4. Add if tax return shows a loss, Subtract if tax return shows a gain</li> <li>5. Proper documentation must be in the file to include this income.</li> <li>6. Do not add the total amount on the Line # indicated – add only if it is itemized and is the <u>specific allowable</u> add back</li> <li>7. Add if the tax return shows stable, recurring income. Subtract if the tax return shows a loss.</li> <li>8. Check against withdrawals/distributions. Business must have a positive earnings trend and adequate liquidity.</li> </ol>	<p>*IRS Depreciation Rates</p> <p>2008 - \$.21/ mile                  2007 - \$.19/ mile                  2006 - \$.17/ mile</p>
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