# Income Analysis Form

## IRS Form 1040 Federal Individual Income Tax Return

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1. **W-2 Income from Self-Employment (Form W-2, Line 5)**

2. **Form 2106- Employee Business Expenses**

   - Total Expenses
   - Depreciation

3. **Schedule C- Sole Proprietor Profit or Loss**

   - Net Profit or Loss
   - Other Income or Loss
   - Depletion
   - Depreciation
   - Meals and Entertainment Exclusion
   - Amortization or Casualty Loss
   - Business Use of Home

4. **Schedule D - Capital Gains and Losses**

   - Form 4797 Sales of Business Property

5. **Form 6252 Installment Sale Income**

   - Principal Payments Received

6. **Schedule E-Supplemental Income or Loss**

   - Gross Rents and Royalties
   - Total Expenses Before Depreciation
   - Amortization/Casualty Loss/Non Recurring Expenses
   - If Using the Rental Properties Full PITI Payment in Qualifying Ratios- Add Back Insurance, Mortgage Interest and Taxes

7. **Schedule F - Profit or Loss from Farming**

   - Net Farm Profit or Loss
   - Non-Taxable Portion of Recurring Cooperative & CCC Payments
   - Non-recurring Other Income or Loss
   - Depreciation
   - Amortization/Casualty Loss/Depletion
   - Business Use of Home

8. **Partnership K-1 (Form 1065)**

   - Ordinary Income or Loss
   - Net Rental Real Estate Income or Loss
   - Guaranteed Payments to Partner

9. **S Corporation K-1 (Form 1120s)**

   - Ordinary Income or Loss
   - Net Rental Real Estate Income or Loss

## Subtotal of Qualifying Income
10. **Partnership Income from Form 1065**
   - Depreciation (+) (+)
   - Depletion (+) (+)
   - Amortization or Casualty loss (+) (+)
   - Mortgage, Notes, Bonds Payable in Less than One Year (-) (-)
   - Other Nonrecurring Income or Loss (+/-) (+/-)
   - Meals and Entertainment Exclusion (-) (-)
   - Multiply Total by Percentage of Ownership (on K-1) (x) (x)

11. **S-Corporation Income from Form 1120s**
   - Depreciation (+) (+)
   - Depletion (+) (+)
   - Amortization or Casualty Loss (+) (+)
   - Mortgage, Notes, Bonds Payable in Less than One Year (-) (-)
   - Other Nonrecurring Income or Loss (+/-) (+/-)
   - Meals and Entertainment Exclusion (-) (-)
   - Multiply Total by Percentage of Ownership (on K-1) (x) (x)

12. **Corp Income from Form 1120**
   - Depreciation (+) (+)
   - Depletion (+) (+)
   - Amortization or Casualty Loss (+) (+)
   - Net Operating Loss (+) (+)
   - Taxable Income or Loss (+/-) (+/-)
   - Total Tax (-) (-)
   - Mortgage, Notes, Bonds Payable in Less than One Year (-) (-)
   - Other Nonrecurring Income or Loss (+/-) (+/-)
   - Multiply Total by Percentage of Ownership (From the Corporate Resolution or “Compensation of Officers” Section of the 1120) (x) (x)

**Grand Total of Qualifying Income**

**Income Calculation**

YTD Income* = ________ minus deductions________ (ave. business expenses, etc) = ___________

+ Yr 1 income=___________

+ Yr 2 income =___________

Total= ___________

Divided by number of months _____ = ___________

*YTD income required when calculating commission income
Income Analysis Form Instructions

This form is not intended to replace a full analysis of acceptable income qualification and sources. This form is intended to be used as a tool to help calculate income from self-employed sources. While this form is most useful for self-employed Borrowers, it may also be used for Borrower’s who earn commission income, are employed by a family member, property seller or broker or a Borrower who owns investment properties. A separate form should be used for each Borrower. Income from the following sources should be reviewed to ensure that it meets Guide requirements, and should be evaluated and documented separately: W-2 income that is not from self-employment, interest and dividend income, alimony, trust, pension or IRA, unemployment and social security. See Guide Chapter 37 for additional information on evaluating the Borrower’s qualifying income.

Line 1- W-2 income: If evaluating a self-employed Borrower, only include the W-2 income from self-employment on this line. W-2 income from other sources should be evaluated separately.

Line 2- Form 2106: Deduct all employee paid business expenses. Add back depreciation, if applicable.

Line 3- Schedule C income: Include continuing income or loss from commission or sole proprietorship in this area.

Line 4- Capital Gains and Losses: Only recurring gains and losses consistent over a two-year period may be considered (one-time gains or losses should not be considered). There must be documentation to support verification of sufficient assets remaining after closing to support, the income used to qualify, in the Mortgage file.

Line 5- Form 6252- Installment Sale Income: Include this income if payments have been received for at least one year. A copy of the installment sales agreement evidencing a minimum three-year continuance must be retained in the Mortgage file.

Line 6- Schedule E- Supplemental Income or Loss: Use this area to calculate continuing rent and royalty income (income from a Partnership or S-Corporation is added to lines 8,9,10,11 and 12). Royalty income may be used if there is a 12-month history of receipt and documentation that it will continue for a minimum of three years. Rental properties should match the properties on the Schedule of Real Estate Owned on the application (Form 65). If properties are reflected on the application but not on the tax returns, provide alternative documentation as required by Guide Chapter 37. If properties are reflected on the tax returns but not on the application, provide documentation to evidence proof of sale or transfer of ownership.

Line 7- Schedule F- Profit or loss from Farming: Use the net farm income and add back allowances as indicated. Add back the non-taxable portions of the Cooperative and CCC income only if it has been proven to be recurring and stable. The subject property must not be listed as the address of the farm.

Line 8- Partnership K-1 income: Use of this income is only allowed if the Partnership tax returns (Form 1065) evidence that the partnership is showing positive earning trends and liquidity, the Borrower provides a partnership resolution reflecting the Borrower’s access to the income and the income is not already reported on the Borrower’s personal tax returns (Form 1040)

Line 9- S-Corporation K-1 income: Use of this income is only allowed if the S-Corporation tax returns (Form 1120S) evidence that the S-Corporation is showing positive earning trends and liquidity, the Borrower provides a corporate resolution proving access to the income and the income is not already reported on the Borrower’s personal tax returns (Form 1040)

Line 10, 11 and 12- Partnership, S-Corporation and Corporation income: Use of the Borrower’s share of after-tax Partnership, S-Corp and Corporate income is only allowed if the Borrowers’ percentage of ownership and right to the funds has been documented in the Mortgage file and the business tax returns reflect positive earning trends and liquidity. If the business operates on a fiscal year that is different from the calendar year, adjustments must be made to relate the income to the Borrowers’ tax return.