

Self-Employed Borrower: Form 1084 Part II – The Business Tax Returns

April 2021

Customer Education

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SEB 1084 Part II - Business Tax Returns

Objective

Learn to use the Fannie Mae Cash Flow Analysis (Form 1084) and data from tax returns to calculate supportable self-employed borrower income.

- Partnership 1065 Business Tax Return and K-1s
- Sub Chapter S or 1120S Business Tax Return and K-1s

Self-Employment Fannie Mae

self employed



B3-3.2-01, Underwriting Factors and Documentation for a Self-Employed Borrower (10/24/2016)



Introduction

This topic contains general information on underwriting factors and documentation for a self-employed borrower, including:

- [Overview](#)
- [Factors to Consider for a Self-Employed Borrower](#)
- [Length of Self-Employment](#)
- [Verification of Income](#)
- [Analysis of Borrower's Personal Income](#)
- [Analysis of Borrower's Business Income](#)
- [Use of Business Assets](#)
- [Income Verification for Self-Employed Co-Borrowers](#)
- [Verbal Verification of Employment](#)

<https://selling-guide.fanniemae.com/>

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Overview

When determining the appropriate qualifying income for a self-employed borrower, it is important to note that business income (specifically from a partnership or S corporation) reported on an individual IRS Form 1040 may not necessarily represent income that has actually been distributed to the borrower. The fundamental exercise, when conducting a self-employment income cash flow analysis, is to determine the amount of income that can be relied on by the borrower in qualifying for their personal mortgage obligation. When underwriting these borrowers, it is important to review business income distributions that have been made or could be made to these borrowers while maintaining the viability of the underlying business. This analysis includes assessing the stability of business income and the ability of the business to continue to generate sufficient income to enable these borrowers to meet their financial obligations.

<https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/#Overview>

Fannie Mae 2021 Selling Guide B3-3.2-01, Underwriting Factors and Documentation for a Self-Employed Borrower (10/14/2016)

Self-Employment Fannie Mae

Factors to Consider for a Self-Employed Borrower

Any individual who has a 25% or greater ownership interest in a business is considered to be self-employed.

The following factors must be analyzed before approving a mortgage for a self-employed borrower:

- the stability of the borrower's income,
- the location and nature of the borrower's business,
- the demand for the product or service offered by the business,
- the financial strength of the business, and
- the ability of the business to continue generating and distributing sufficient income to enable the borrower to make the payments on the requested mortgage.

<https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/#Factors.20to.20Consider.20for.20a.20Self-Employed.20Borrower>

Fannie Mae 2021 Selling Guide B3-3.2-01, Underwriting Factors and Documentation for a Self-Employed Borrower (10/24/2016)

Self-Employment Fannie Mae

Analysis of Borrower's Personal Income

The lender must prepare a written evaluation of its analysis of a self-employed borrower's personal income, including the business income or loss, reported on the borrower's individual income tax returns. The purpose of this written analysis is to determine the amount of stable and continuous income that will be available to the borrower. This is not required when a borrower is qualified using only income that is not derived from self-employment and self-employment is a secondary and separate source of income (or loss). Examples of income not derived from self-employment include salary and retirement income.



The lender may use Form 1084 or any other type of cash flow analysis, including automated tools, that applies the same principles as Fannie Mae's form.

A copy of the written analysis must be included as part of any loan application package that the lender submits to Fannie Mae for a mortgage that is selected for a post-purchase quality control review.

The lender may use a Fannie Mae-approved vendor tool to complete the written analysis and calculate self-employment income. The lender may receive representation and warranty enforcement relief of the calculated amount if certain requirements are met. See [A2-2-04, Limited Waiver and Enforcement Relief of Representations and Warranties for Mortgages Submitted to DU](#) and Fannie Mae's website for the list of [Approved Vendor Tools](#).

<https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/#Analysis.20of.20Borrower.E2.80.99s.20Personal.20Income>

Fannie Mae 2021 Selling Guide B3-3.2-01, Underwriting Factors and Documentation for a Self-Employed Borrower (10/02/2016)

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Analysis of Borrower's Business Income

When a borrower is relying upon self-employed income to qualify for a mortgage and the requirements that permit the lender to waive business tax returns are not met, the lender must prepare a written evaluation of its analysis of the borrower's business income. The lender must evaluate the borrower's business through its knowledge of other businesses in the same industry to confirm the stability of the borrower's business income and estimate the potential for long-term earnings.

The purpose of this analysis is to:

- consider the recurring nature of the business income, including identification of pass-through income that may require additional evaluation;
- measure year-to-year trends for gross income, expenses, and taxable income for the business;
- determine (on a yearly or interim basis) the percentage of gross income attributed to expenses and taxable income; and
- determine a trend for the business based on the change in these percentages over time.

The lender may use Fannie Mae's *Comparative Income Analysis* ([Form 1088](#)) or any other method of trend analysis that enables it to determine a business's viability, as long as the method used fairly presents the viability of the business and results in a degree of accuracy and a conclusion that is comparable to that which would be reached by use of Form 1088.

A copy of the written analysis and conclusions must be retained in the individual mortgage file.

<https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/#Analysis.20of.20Borrower.E2.80.99s.20Business.20Income>

Fannie Mae 2021 Selling Guide B3-3.2-01, Underwriting Factors and Documentation for a Self-Employed Borrower (10/24/2016)

Analyzing K1's & Business Returns

Income or Loss Reported on IRS Form 1065 or IRS Form 1120S, Schedule K-1

The version of Schedule K-1 that is utilized to report a borrower's share of income (or loss) is based on how the business reports earnings for tax purposes:

- partnership — reported on IRS Form 1065, Schedule K-1;
- S corporation — reported on IRS Form 1120S, Schedule K-1; and
- LLC — reported on either IRS Form 1065 or IRS Form 1120S, Schedule K-1, depending on how the federal income tax returns are filed for the LLC.

The lender must use caution when including income that the borrower draws from the borrower's partnership or S corporation as qualifying income. Ordinary income, net rental real estate income, and other net rental income reported on Schedule K-1 may be included in the borrower's cash flow provided the lender can confirm that the business has adequate liquidity to support the withdrawal of earnings, as described below:

- If the borrower has a two-year history of receiving "guaranteed payments to the partner" from a partnership or an LLC, these payments can be added to the borrower's cash flow.
- If the Schedule K-1 reflects a documented, stable history of receiving cash distributions of income from the business consistent with the level of business income being used to qualify, then no further documentation of access to the income or adequate business liquidity is required. But if the Schedule K-1 does not reflect a documented, stable history, then the lender must confirm adequate business liquidity, as discussed below.

If business tax returns are required, then the lender must consider the type of business structure and analyze the business returns, according to the requirements described in [B3-3.2-01, Underwriting Factors and Documentation for a Self-Employed Borrower](#).

Fannie Mae 2021 Selling Guide B3-3.3-07, Income or Loss Reported on IRS Form 1065 or 1120S, Schedule K1 (06/28/2016)

Fannie Mae Has a Written Policy Mandating Distributions

Income from Partnerships, LLCs, Estates, and Trusts

Income from partnerships, LLCs, estates, or trusts can only be considered if the lender obtains documentation, such as the Schedule K-1, verifying that

- the income was actually distributed to the borrower, or
- the business has adequate liquidity to support the withdrawal of earnings. If the Schedule K-1 provides this confirmation, no further documentation of business liquidity is required.

<https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/Subpart-B3-Underwriting-Borrowers/>

Fannie Mae COVID-19

Self-employed policies during COVID-19 pandemic

Fannie Mae LL-2021-03

Effective for applications taken June 11, 2020 and until further notice

Income Analysis


Self-employment income is variable in nature and generally subject to changing market and economic conditions. Whether a business is impacted by an adverse event, such as COVID-19, and the extent to which business earnings are impacted can depend on the nature of the business or the demand for products or services offered by the business. Income from a business that has been negatively impacted by changing conditions is not necessarily ineligible for use in qualifying the borrower. However, the lender is required to determine if the borrower's income is stable and has a reasonable expectation of continuance.

Due to the pandemic's continuing impact on businesses throughout the country, lenders are now required to obtain the following additional documentation to support the decision that the self-employment income meets our requirements:

- an audited year-to-date profit and loss statement reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date; or
- an unaudited year-to-date profit and loss statement signed by the borrower reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date, and three business depository account(s) statements no older than the latest three months represented on the year-to-date profit and loss statement.
 - For example, the business depository account statements can be no older than Aug, Sep, Oct. for a year-to-date profit and loss statement dated through Oct. 31.
 - The lender must review the three most recent depository account statements to support the level of business revenue reported in the current year-to-date profit and loss statement. Otherwise, the lender must obtain additional statements or other documentation to support the on-going nature of business revenue reported in the current year-to-date profit and loss statement.

NOTE: *The year-to-date profit and loss statement must be no older than 60 days old as of the note date consistent with current [Age of Documentation](#) requirements below.*

Updated SEB Profit and Loss FAQ For 2021

Q19.  **Is there a minimum time period that must be reported on a profit and loss statement for loan applications taken in 2021? NEW**

For loan applications dated Feb. 1 through Mar. 31, the profit and loss statement (audited or unaudited) must include a minimum three-month look back period to ensure there is sufficient information to determine the extent to which a business has been impacted by COVID-19. This may require reporting of prior and current year details.

Examples

Application Date	The profit and loss statement must report...	When unaudited, depository account statements include...
January 2021	January through December 2020	October, November, December 2020
February 2021	November and December 2020 and January 2021	November and December 2020 and January 2021
June 2021	January through May 2021	March, April, May 2021

Fannie Mae LL-2021-03

Effective for applications taken June 11, 2020 and until further notice

Lenders must review the profit and loss statement, and business depository accounts if required, and other relevant factors to determine the extent to which a business has been impacted by COVID-19. The lender can use the following guidance when performing the assessment of business operations and stability and must complete the business income assessment based on the minimum additional documentation above. In some instances, the lender may find it necessary to obtain supplemental documentation listed in the examples below.

Assessing the Impact of COVID-19	
Business operations	<ul style="list-style-type: none">▪ Have business operations been maintained or modified to support continued business income? <i>For example, review an updated business plan.</i>▪ Is the business continuing to operate in the current location or an alternate location suitable for business operations? <i>For example, perform an Internet search or verify through a third-party source.</i>▪ Is there a demand for the product or service currently offered by the business? <i>For example, obtain current business receipts or purchase contracts.</i>▪ Is the business operation and/or revenue temporarily restricted due to state shelter in place, stay at home or other similar state or local orders?▪ Is the impact to the business operations negligible due to the nature of the business? <i>For example, obtain a written explanation from the business owner or confirmation that income is seasonal apart from the event timeline.</i>

Fannie Mae LL-2021-03

Effective for applications taken June 11, 2020 and until further notice

Assessing the Impact of COVID-19	
Business Income	<p>The lender must complete a business income assessment by comparing the year-to-date net business income from the year-to-date profit and loss statement to historical business income calculated using the <i>Cash Flow Analysis</i> (Form 1084)* for a similar timeframe (such as monthly).</p> <ul style="list-style-type: none">▪ Lenders can make standard adjustments to business cash flow (net income on the profit and loss statement) in accordance with B3-3.4-04, Analyzing Profit and Loss Statements when making this determination.
Business Stability	<ul style="list-style-type: none">▪ Does the profit and loss identify a significant imbalance between expenses and revenue that may impact financial stability? Or have modifications to current business operations been made to correct this imbalance? (Consider documenting with an updated business plan)▪ Do prior year business tax returns demonstrate ample financial liquidity due to a history of retained earnings?▪ Do current business account balances (excluding Paycheck Protection Program (PPP) or other similar COVID-19 related loans or grants) support the financial ability of the business to operate given current market and economic conditions? <p>A current balance sheet may be used to support the lender's determination of business stability, in conjunction with the profit loss statement.</p>

Business Income Calculation Adjustment

Effective for applications taken June 11, 2020 and until further notice

Business Income Calculation Adjustment

When the lender determines current year net business income has been impacted by the COVID-19 pandemic and is

- less than the historical monthly income calculated using Form 1084, but is stable at its current level, the lender must reduce the amount of qualifying income calculated using Form 1084 to no more than the current level of stable income as determined by the lender (see Business Income above).
- more than the historical income calculated using Form 1084, the lender must use no more than the currently stable level of income calculated using Form 1084 to qualify the borrower.

In all cases, qualifying income must be supported by documentation, including any supplemental documentation obtained by the lender.

LL-2021-03

COVID-19 SEB Training Tools and Training

Course Catalog

















Genworth offers a comprehensive suite of training opportunities to boost your know-how, benefit your bottom line and ultimately best serve your borrowers. With more than 50 training courses, Genworth provides the tools and training you need to succeed. All training is offered at no cost to you.

Due to various internet browser versions, please download and save PDF before entering data. Please note, calculators are updated periodically.

Browse by Topic

Browse by Role

Featured Courses

 Fannie Mae Form 1084 Calculator (2019-2020) Calculate and analyze cash flow to help you complete Fannie Mae form 1084. <small>UPDATED</small>	 Fannie Mae Form 1084 Calculator XLS (2019-2020) Calculate and analyze cash flow to help you complete Fannie Mae form 1084. <small>UPDATED</small>	 Freddie Mac Form 91 Calculator (2019-2020) Quick reference guide and income analysis for Freddie Mac Form 91. <small>UPDATED</small>
 Freddie Mac Form 92 Calculator (2019-2020) Form 92 Net Rental Income Calculations - Schedule E. <small>UPDATED</small>	 Schedule Analysis Method (SAM) Calculator (2019-2020) Calculate qualifying income from tax returns. <small>UPDATED</small>	 Rental Income Calculator (2019-2020) Assists in calculating rental income from IRS form 1040 Schedule E. <small>UPDATED</small>
 Current Ratio - Liquidity Calculator (2019-2020) Calculate working capital liquidity against current liabilities. <small>UPDATED</small>	 Quick Ratio - Liquidity Calculator (2019-2020) Calculate an organization's liquidity against current liabilities. <small>UPDATED</small>	 Fannie Mae Rental Guide (Calculator 1037) Use this worksheet to calculate qualifying rental income for Fannie Mae Form 1037 (Principal Residence, 2- to 4-unit Property).
 Fannie Mae Rental Guide Calculator (1038)	 Fannie Mae Rental Guide (Calculator 1039) Calculate qualifying rental income for Fannie Mae Form 1039 (Business Rental Income from Investment Property).	 Fannie Mae Form 1088 Cheat Sheet Use this quick reference guide for Fannie Mae's Comparative Analysis Form (Form 1088).
 Fannie Mae Comparative Analysis Form 1088 Calculate increases/decreases in gross income, expenses and taxable income.	 Income Calculation Worksheet Use this form to calculate income. <small>UPDATED</small>	 P&L Calculator Created as result of changes by the GSEs to adapt to the COVID-19 pandemic.
 Business Stability and Income Worksheet (2021)		

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COVID-19 Updates For Self-Employment Through November 2020




Highlights the self-employed policy changes through November 13, 2020 for Fannie Mae and Freddie Mac as a result of the COVID-19 pandemic. Covers Freddie Mac Bulletin 2020-19, Bulletin 2020-23, and Fannie Mae Lender Letter 2020-03.





  Basic  40 mins 

[Watch Now](#) [MORE](#)

How to Use the Business Stability and Income Calculator for Self-Employed Borrowers

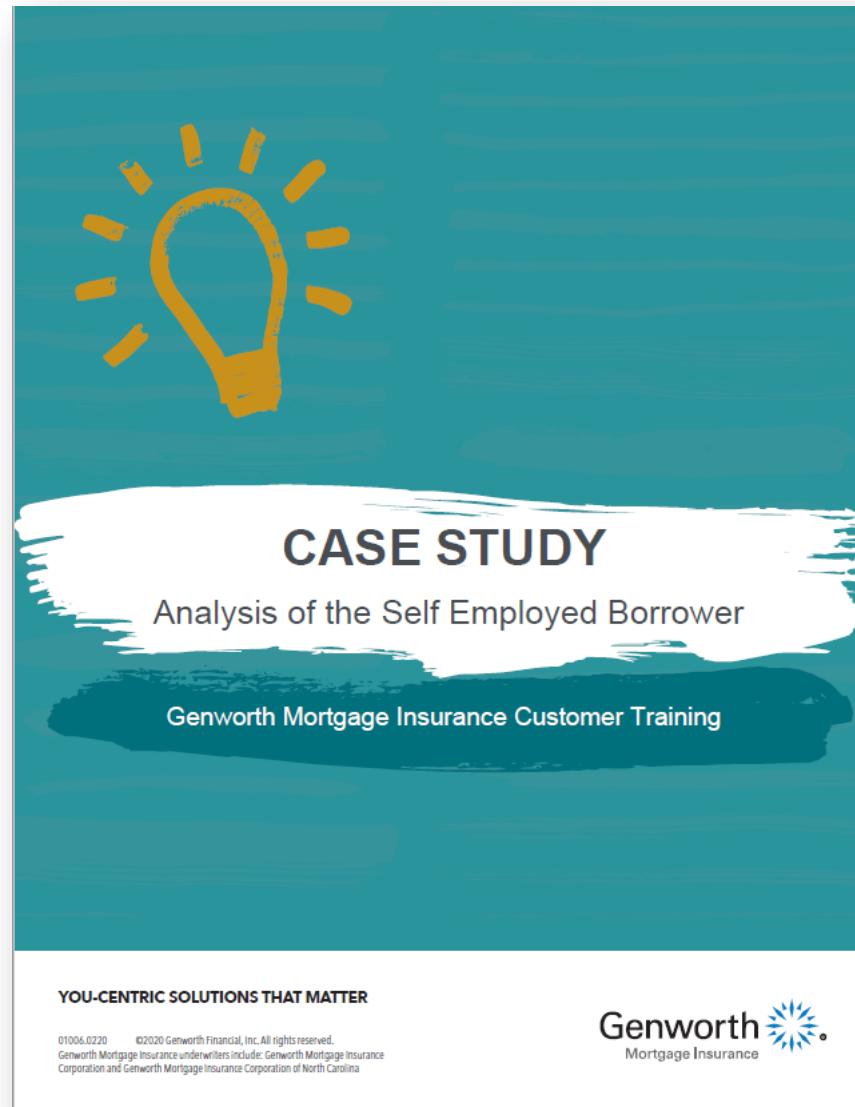


This brief session provides instructions on how to use the new Business Stability and Income Calculator as well as the P&L Calculator for your self-employed borrowers. The tools were created as a result of GSE guideline changes due to the COVID-19 pandemic.

  Intermediate  25 mins 

[Watch Now](#) [MORE](#)

You'll Need



The Case Study

You will be working with John and Mary Homeowner who:


- **Own a Schedule C business called Impressive Images (John)*
- **Have Schedule B interest and dividend income*
- **Have capital gains/loss activity reported on a Schedule D*
- **Own an existing rental property shown on a Schedule E*
- Own 50% of an LLC Light It Up (Mary)
 - Mary receives a W-2 Wage Statement from the business
 - Mary receives a K-1
 - Reported on a Partnership Return 1065
- Own 33.33% of an S Corporation called Designing the Future, Inc. (John)
 - John receives a K-1
 - 1120S Business Tax Return

*This was covered in case study part I

Please download before each calculation as calculators are updated periodically.

Borrower Name: Loan Number:

Property Address:

Genworth 
Mortgage Insurance

Calculator and Quick Reference Guide: Fannie Mae Cash Flow Analysis

Please use the following quick reference guide to assist you in completing Fannie Mae Form 1084. It provides suggested guidance only and does not replace Fannie Mae instructions or applicable guidelines.

Note: For entries with the marker (+/-) type a '-' for entering a negative amount. Example: -12,345.67

IRS Form 1040 - Individual Income Tax Return		2020	2019	NOTES
1	W-2 Income from Self-Employment	+	67,600.00	
2	Schedule B - Interest and Ordinary Dividends			
	a. Interest Income from Self-Employment (Line 1)	+		
	b. Dividends from Self-Employment (Line 5)	+		
3	Schedule C - Profit or Loss from Business: Sole Proprietorship			

*Only add back the eligible "Other" deductions, such as Amortization or Casualty Loss.

In Case Study Part I

We Completed Sections 1-6 of the Personal Tax Returns

c. Depletion (Line 18)	+		
Subtotal Schedule E	=	0.00	0.00
6 Schedule F - Profit or Loss from Farming			
a. Net Farm Profit or Loss (Line 34)	+/-		
b. Non-Tax Portion Ongoing Coop and CCC Payments (Line 3, 4, 6(a-b))	+/-		
c. Nonrecurring Other (Income) or Loss (Lines 5c & 8)	+/-		
d. Depreciation (Line 14)	+		
e. Amortization/Casualty Loss/Depletion (Line 32*)	+		
f. Business Use of Home (Line 32, Check applicable guidelines)	+		
Subtotal Schedule F	=	0.00	0.00

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.

This calculator can be found at <https://new.mi.genworth.com/self-employed-borrower-calculators>

Page 1 of 4

1065 - Partnership with K1

Note: See additional information on the fourth page of this calculator.

IRS Form 1065 - Partnership Income			2020	2019	NOTES
7	Schedule K-1 Form 1065 - Partner's Share of Income				
	a. Ordinary Income/Loss (Line 1)*	+/-			*Review Line 19 for a distribution
	b. Net Rental Real Estate; Other Net Income (Loss) (Lines 2, 3)*	+/-			
	c. Guaranteed Payments to Partner (Line 4c)	+			**Only add back the eligible "Other" deductions, such as Amortization or Casualty Loss.
8	Form 1065 - Adjustments to Business Cash Flow				
	a. Ordinary (Income) Loss from Other Partnerships (Line 4)	+/-			***Follow specific investor guidelines. Adjustments may not be required if there is evidence these roll over regularly, it is verified to be a line of credit or if the business has sufficient assets to cover the liability.
	b. Nonrecurring Other (Income) or Loss (Lines 5, 6 & 7)	+/-			
	c. Depreciation (Line 16c, including 8825 Line 14)	+			
	d. Depletion (Line 17)	+			
	e. Amortization/Casualty (Review Attachment Related to Line 20**)	+			
	f. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 16d***)	-			
	g. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 4b)	-			
	Subtotal	=	\$ 0.00	\$ 0.00	
	Percent Ownership (From Schedule K-1)		%	%	
	Total Form 1065	=	\$ 0.00	\$ 0.00	

Partnership or S Corporation

A self-employed borrower's share of Partnership or S Corporation earnings may be considered provided that:

- The borrower can document ownership share (for example, the Schedule K-1); and
- The K-1 reflects a documented, stable history of receiving cash distributions of income consistent with the level of business income used to qualify; or lenders must verify the business has adequate liquidity to support the withdrawal of earnings.
- See liquidity calculators to aid in confirmation of adequate liquidity.

Note: See additional information on the fourth page of this calculator.

Business Classifications

Partnership (General or Limited)

- Two or More Partners
- Business Income Reported on Form 1065
- Personal Income Reported on Schedule E and K-1
- Income Taxed at Personal Rate
- All owners are issued a K-1s which are attached to the business tax return (IRS Form 1065)

Advantages

- Taxed at Personal Rate (Partnership Pays No Tax on Income)
- Limited Partnership - Only liable for Amount Invested

Disadvantages

- General Partnerships have Unlimited Personal Liability for Partnership Debts and Losses

1065 Partnership

Line 22 Ordinary Income/Loss
\$ _____

K-1

%

Line 1 Ordinary Income/Loss
\$ _____

Schedule E page 2

Part II

Schedule 1

Line 5 Income/Loss Sch E
Taxed at a personal rate
\$ _____

Partnerships

Check for trends or changes

- Date business started
- Gross Receipts
- Cost of Good Sold
- Gross Profit
- Bottom line “Ordinary Income”
- Guaranteed Payments
 - Payments “paid out” to all partners, review the K-1 to see how much was paid to your partner
- In rare cases the partners will pay themselves W-2 wages, not typical, but possible

Form 1065 U.S. Return of Partnership Income

Department of the Treasury Internal Revenue Service

For calendar year 2020, or tax year beginning _____, 2020, ending _____, 20____.

OMB No. 1545-0123

2020

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

A Principal business activity
Retail

B Principal product or service
product

C Business code number
123456

Type or Print

Name of partnership
Light It Up, LLC

Number, street, and room or suite no. If a P.O. box, see instructions.
350 Broad Street

City or town, state or province, country, and ZIP or foreign postal code
Red Bank, NJ 07755

D Employer identification number
12-1234567

E Date business started
10/01/2015

F Total assets (see instructions)
\$ 45,206

G Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return

H Check accounting method: (1) ☒ Cash (2) ☐ Accrual (3) ☐ Other (specify) _____

I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year _____ 2

J Check if Schedules C and M-3 are attached _____ ☐

K Check if partnership: (1) ☐ Aggregated activities for section 465 at-risk purposes (2) ☐ Grouped activities for section 469 passive activity purposes

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

Inc

1a Gross receipts or sales **1a** 753,953

b Returns and allowances **1b**

1c 753,953

2 Cost of goods sold (attach Form 1125-A) **2** 384,447

3 Gross profit. Subtract line 2 from line 1c **3** 369,506

4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement) **4**

5 Net farm profit (loss) (attach Schedule F (Form 1040)) **5**

6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) **6**

7 Other income (loss) (attach statement) **7** 1,485

8 **Total income (loss).** Combine lines 3 through 7 **8** 370,991

Deductions (see instructions for limitations)

9 Salaries and wages (other than to partners) (less employment credits) **9** 220,414

10 Guaranteed payments to partners **10**

11 Repairs and maintenance **11** 1,815

12 Bad debts **12**

13 Rent **13** 46,795

14 Taxes and licenses **14** 18,780

15 Interest (see instructions) **15**

16a Depreciation (if required, attach Form 4562) **16a** 2,407

b Less depreciation reported on Form 1125-A and elsewhere on return **16b**

16c 2,407

17 Depletion (Do not deduct oil and gas depletion.) **17**

18 Retirement plans, etc. **18** 2,499

19 Employee benefit programs **19**

20 Other deductions (attach statement) **20** Stmt #2 86,190

21 **Total deductions.** Add the amounts shown in the far right column for lines 9 through 20 **21** 378,900

22 **Ordinary business income (loss).** Subtract line 21 from line 8 **22** -7,909

Tax and Payment

23 Interest due under the look-back method—completed long-term contracts (attach Form 8697) **23**

24 Interest due under the look-back method—income forecast method (attach Form 8866) **24**

25 BBA AAR imputed underpayment (see instructions) **25**

26 Other taxes (see instructions) **26**

27 **Total balance due.** Add lines 23 through 26 **27**

28 Payment (see instructions) **28** 0

29 **Amount owed.** If line 28 is smaller than line 27, enter amount owed **29**

30 **Overpayment.** If line 28 is larger than line 27, enter overpayment **30** 0

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than partner or limited liability company member) is based on all information of which preparer has any knowledge.

Signature of partner or limited liability company member _____ Date _____

May the IRS discuss this return with the preparer shown below? See instructions. ☐ Yes ☒ No

Paid Preparer Use Only

Print/Type preparer's name _____ Preparer's signature _____ Date _____

Tommy Saprano

Firm's name **Tommy's Tax** Firm's EIN **22-1234567**

Firm's address **120 Main Street, Hoboken, NJ 07718** Phone no. _____

For Paperwork Reduction Act Notice, see separate instructions. 18 Cat. No. 113902 Form 1065 (2020)

1065 Partnership

Line 22 Ordinary Income/Loss
\$ _____

K-1

%

Line 1 Ordinary Income/Loss
\$ _____

Schedule E page 2

Part II

Schedule 1

Line 5 Income/Loss Sch E
Taxed at a personal rate
\$ _____

Partnership K-1

1	Ordinary business income (loss)	-3,954
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J Partner's share of profit, loss, and capital (see instructions):			
	Beginning	Ending	
Profit	50.00000 %	50.00000 %	
Loss	50.00000 %	50.00000 %	
Capital	50.00000 %	50.00000 %	
Check if decrease is due to sale or exchange of partnership interest <input type="checkbox"/>			

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Schedule K-1 (Form 1065) 2020
Department of the Treasury
Internal Revenue Service

For calendar year 2020, or tax year beginning / / 2020 ending / /

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	-3,954	15	Credits
2	Net rental real estate income (loss)			
3	Other net rental income (loss)		16	Foreign transactions
4a	Guaranteed payments for services			
4b	Guaranteed payments for capital			
4c	Total guaranteed payments			
5	Interest income			
6a	Ordinary dividends			
6b	Qualified dividends			
6c	Dividend equivalents		17	Alternative minimum tax (AMT) items
7	Royalties		A	-118
	Net short-term capital gain (loss)			
8a	Net long-term capital gain (loss)		18	Tax-exempt income and nondeductible expenses
8b	Collectibles (28%) gain (loss)			
8c	Unrecaptured section 1250 gain			
	Net section 1231 gain (loss)		19	Distributions
9	Other income (loss)			
10	Section 179 deduction		20	Other information
11	Other deductions			
12	Self-employment earnings (loss)			
21	More than one activity for at-risk purposes*			
22	More than one activity for passive activity purposes*			

*See attached statement for additional information.

Part I Information About the Partnership

A Partnership's employer identification number 12-1234567

B Partnership's name, address, city, state, and ZIP code
Light It Up, LLC
350 Broad St
Red Bank, NJ 07755

Part II Information About the Partner

C Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.) XXX-XX-XXXX

D Partner's name, address, city, state, and ZIP code for partner entered in E-See instructions.
Mary Homeowner
7 Galloping Hill Road, Colts Neck, NJ 07708

E Partner's share of profit, loss, and capital (see instructions):

Profit	50.00000 %	50.00000 %
Loss	50.00000 %	50.00000 %
Capital	50.00000 %	50.00000 %

Check if decrease is due to sale or exchange of partnership interest ☐

Part IV Partner's Capital Account Analysis

	Beginning	Ending
Beginning capital account	\$ 54,191	
Capital contributed during the year	\$	
Current year net income (loss)	\$ -3,954	
Other increase (decrease) (attach explanation)	\$	
Withdrawals & distributions	\$	
Ending capital account	\$ 50,237	

Part V Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)

Beginning	\$
Ending	\$

For Paperwork Reduction Act Notice, see Instructions for Form 1065. www.irs.gov/Form1065 Cat. No. 11394R Schedule K-1 (Form 1065) 2020

Rental Income – Partnership or S Corps

Form 8825 (Rev. December 2010) Department of the Treasury Internal Revenue Service		Rental Real Estate Income and Expenses of a Partnership or an S Corporation ▶ See instructions on back. ▶ Attach to Form 1065, Form 1065-B, or Form 1120S.		OMB No. 1545-1186	
Name			Employer identification number		
1 Show the type and address of each property. For each rental real estate property listed, report the number of days rented at fair rental value and days with personal use. See instructions. See page 2 to list additional properties.					
	Physical address of each property—street, city, state, ZIP code	Type—Enter code 1-8; see page 2 for list	Fair Rental Days	Personal Use Days	
A					
B					
C					
D					
		Properties			
Rental Real Estate Income		A	B	C	D
2 Gross rents	2				
Rental Real Estate Expenses					
3 Advertising	3				
4 Auto and travel	4				
5 Cleaning and maintenance	5				
6 Commissions	6				
7 Insurance	7				
8 Legal and other professional fees	8				
9 Interest	9				
10 Repairs	10				
11 Taxes	11				
12 Utilities	12				
13 Wages and salaries	13				
14 Depreciation (see instructions)	14				
15 Other (list ▶)	15				
16 Total expenses for each property. Add lines 3 through 15	16				
17 Income or (loss) from each property. Subtract line 16 from line 2	17				
18a Total gross rents. Add gross rents from line 2, columns A through H	18a				
b Total expenses. Add total expenses from line 16, columns A through H	18b				
19 Net gain (loss) from Form 4797, Part II, line 17, from the disposition of property from rental real estate activities	19				
20a Net income (loss) from rental real estate activities from partnerships, estates, and trusts in which this partnership or S corporation is a partner or beneficiary (from Schedule K-1)	20a				
b Identify below the partnerships, estates, or trusts from which net income (loss) is shown on line 20a. Attach a schedule if more space is needed:					
(1) Name	(2) Employer identification number				
21 Net rental estate income (loss). Combine lines 18a through 20a. Enter the result here and on:	21				
▶ Form 1065 or 1120S: Schedule K, line 2, or					
▶ Form 1065-B: Part I, line 4					

For Paperwork Reduction Act Notice, see back of form.

Cat. No. 10136Z

Form **8825** (12-2010)

No Example

Partnership K-1

651119
OMB No. 1545-0123

Schedule K-1
(Form 1065)
Department of the Treasury
Internal Revenue Service

2020

For calendar year 2020, or tax year beginning / / 2020 ending / /

Partner's Share of Income, Deductions, Credits, etc.
▶ See separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
12-1234567

B Partnership's name, address, city, state, and ZIP code
Light It Up, LLC
350 Broad St
Red Bank, NJ 07755

C IRS Center where partnership filed return ▶ e file

D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)
XXX-XX-XXXX

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
Mary Homeowner
7 Galloping Hill Road, Colts Neck, NJ 07708

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H1 ☐ Domestic partner ☐ Foreign partner

H2 ☐ If the partner is a disregarded entity (DE), enter the partner's:
TIN _____ Name _____

I1 What type of entity is this partner? Individual

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	50.00000 %	50.00000 %
Loss	50.00000 %	50.00000 %
Capital	50.00000 %	50.00000 %

Check if decrease is due to sale or exchange of partnership interest ☐

K Partner's share of liabilities:

	Beginning	Ending
Nonrecourse	\$	\$
Qualified nonrecourse financing	\$	\$
Recourse	\$	\$

☐ Check this box if Item K includes liability amounts from lower tier partnerships.

L Partner's Capital Account Analysis

Beginning capital account	\$ 54,191
Capital contributed during the year	\$
Current year net income (loss)	-3,954
Other increase (decrease) (attach explanation)	\$
Withdrawals & distributions	\$ ()
Ending capital account	\$ 50,237

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No If "Yes," attach statement. See instructions.

N Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)
Beginning \$
Ending \$

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1 Ordinary business income (loss)	-3,954	15 Credits
2 Net rental real estate income (loss)		
3 Other net rental income (loss)		16 Foreign transactions
4a Guaranteed payments for services		
4b Guaranteed payments for capital		
5 Interest income		
6a Ordinary dividends		
6b Qualified dividends		
6c Dividend equivalents		17 Alternative minimum tax (AMT) items
7 Royalties		A -118
8 Net short-term capital gain (loss)		
9a Net long-term capital gain (loss)		18 Tax-exempt income and nondeductible expenses
9b Collectibles (28%) gain (loss)		
9c Unrecaptured section 1250 gain		
10 Net section 1231 gain (loss)		
11 Other income (loss)		19 Distributions
12 Section 179 deduction		
13 Other deductions		
14 Self-employment earnings (loss)		
21 More than one activity for at-risk purposes*		
22 More than one activity for passive activity purposes*		

*See attached statement for additional information.

For IRS Use Only

For Paperwork Reduction Act Notice, see Instructions for Form 1065. www.irs.gov/Form1065 Cat. No. 11394R Schedule K-1 (Form 1065) 2020

Partnership K-1

651119
OMB No. 1545-0123

Schedule K-1
(Form 1065)
Department of the Treasury
Internal Revenue Service

2020

For calendar year 2020, or tax year beginning / / 2020 ending / /

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
2	Net rental real estate income (loss)	16	Foreign transactions
3	Other net rental income (loss)	17	Alternative minimum tax (AMT) items
4a	Guaranteed payments for services	18	Tax-exempt income and nondeductible expenses
4b	Guaranteed payments for capital	19	Distributions
4c	Total guaranteed payments	20	Other information
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends		
6c	Dividend equivalents		
7	Royalties		
8	Net short-term capital gain (loss)		
9a	Net long-term capital gain (loss)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)		
11	Other income (loss)		
12	Section 179 deduction		
13	Other deductions		
14	Self-employment earnings (loss)		
21	More than one activity for at-risk purposes*		
22	More than one activity for passive activity purposes*		

*See attached statement for additional information.

Part I Information About the Partnership

A Partnership's employer identification number
12-1234567

B Partnership's name, address, city, state, and ZIP code
Light It Up, LLC
350 Broad St
Red Bank, NJ 07755

C IRS Center where partnership filed return ☒ e file

D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)
XXX-XX-XXXX

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
Mary Homeowner
7 Galloping Hill Road, Colts Neck, NJ 07708

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H1 ☐ Domestic partner ☐ Foreign partner

H2 ☐ If the partner is a disregarded entity (DE), enter the partner's TIN _____ Name _____

I1 What type of entity is this partner? Individual

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	50.00000 %	50.00000 %
Loss	50.00000 %	50.00000 %
Capital	50.00000 %	50.00000 %

Check if decrease is due to sale or exchange of partnership interest ☐

K Partner's share of liabilities:

	Beginning	Ending
Nonrecourse	\$	\$
Qualified nonrecourse financing	\$	\$
Recourse	\$	\$

☐ Check this box if item K includes liability amounts from lower tier partnerships.

L Partner's Capital Account Analysis

Beginning capital account	\$	54,191
Capital contributed during the year	\$	
Current year net income (loss)	\$	-3,954
Other increases/decreases (attach explanation)	\$	
Ending capital account	\$	50,237

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No If "Yes," attach statement. See instructions.

N Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)

Beginning	\$	
Ending	\$	

For IRS Use Only

For Paperwork Reduction Act Notice, see Instructions for Form 1065. www.irs.gov/Form1065 Cat. No. 11394R Schedule K-1 (Form 1065) 2020

1065 Partnership

Line 22 Ordinary Income/Loss
\$ _____

K-1

%

Line 1 Ordinary Income/Loss
\$ _____

Schedule E page 2

Part II

Schedule 1

Line 5 Income/Loss Sch E
Taxed at a personal rate
\$ _____

Schedule E Partnerships and S Corps

Schedule E (Form 1040) 2020

Attachment Sequence No. **13**

Page **2**

Name(s) shown on return. Do not enter name and social security number if shown on other side.

John & Mary Homeowner

Your social security number

XXX-XX-XXXX

Caution: The IRS compares amounts reported on your tax return with amounts shown on Schedule(s) K-1.

Part II **Income or Loss From Partnerships and S Corporations** — **Note:** If you report a loss, receive a distribution, dispose of stock, or receive a loan repayment from an S corporation, you **must** check the box in column (e) on line 28 and attach the required basis computation. If you report a loss from an at-risk activity for which **any** amount is **not** at risk, you **must** check the box in column (f) on line 28 and attach **Form 6198**. See instructions.

27 Are you reporting any loss not allowed in a prior year due to the at-risk or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? If you answered "Yes," see instructions before completing this section. ☐ Yes ☒ No

28	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if basis computation is required	(f) Check if any amount is not at risk
A	Light It Up, LLC	P	<input type="checkbox"/>	12-1234567	<input type="checkbox"/>	<input type="checkbox"/>
B	Designing the Future, Inc	S	<input type="checkbox"/>	33-1234567	<input type="checkbox"/>	<input type="checkbox"/>
C			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
D			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Passive Income and Loss

Nonpassive Income and Loss

	(g) Passive loss allowed (attach Form 8582 if required)	(h) Passive income from Schedule K-1	(i) Nonpassive loss allowed (see Schedule K-1)	(j) Section 179 expense deduction from Form 4562	(k) Nonpassive income from Schedule K-1
A			3,954.		
B				9,732.	14,103.
C					
D					
29a Totals					14,103.
b Totals			3,954.	9,732.	
30	Add columns (h) and (k) of line 29a.				30 14,103.
31	Add columns (g), (i), and (j) of line 29b.				31 (13,686.)
32	Total partnership and S corporation income or (loss). Combine lines 30 and 31				32 417.

1065 Partnership

Line 22 Ordinary Income/Loss
\$ _____

K-1

%

Line 1 Ordinary Income/Loss
\$ _____

Schedule E page 2

Part II

Schedule 1

Line 5 Income/Loss Sch E
Taxed at a personal rate
\$ _____

Form 1040

Review for:

- Is there an Entry on Line 10a?
- Review Schedule 1

10 Adjustments to income:

a From Schedule 1, line 22

10a

4,741.

SCHEDULE 1
(Form 1040)
Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income
▶ Attach to Form 1040, 1040-SR, or 1040-NR.
▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074
2020
Additional
Sequence No. 01

Name(s) shown on Form 1040, 1040-SR, or 1040-NR
John & Mary Homeowner

Your social security number
XXX-XX-XXXX

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	67,105.
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	-9,838.
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income. List type and amount ▶	8	
9	Combine lines 1 through 8. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	9	57,267.

Part II Adjustments to Income

10	Educator expenses	10	
11	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	11	
12	Health savings account deduction. Attach Form 8889	12	
13	Moving expenses for members of the Armed Forces. Attach Form 3903	13	
17	Penalty on early withdrawal of savings	17	
18a	Alimony paid	18a	
b	Recipient's SSN		
c	Date of original divorce or separation agreement (see instructions) ▶		
19	IRA deduction	19	
20	Student loan interest deduction	20	
21	Tuition and fees deduction. Attach Form 8917	21	
22	Add lines 10 through 21. These are your adjustments to income . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10a	22	4,741.

For Paperwork Reduction Act Notice, see your tax return instructions. BAA REV 02/18/21 TTW Schedule 1 (Form 1040) 2020

Form 1040 Department of the Treasury—Internal Revenue Service (99) **2020** 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 widow(er) (QW)
Check only one box.
If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW 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
Homeowner

Your social security number
XXX-XX-XXXX

If joint return, spouse's first name and middle initial
Mary

Last name
Homeowner

Spouse's social security number
XXX-XX-XXXX

Home address (list number and street). If you have a P.O. box, see instructions

Apt. no.

ZIP code
07708

Foreign postal code

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.
☐ You ☐ Spouse

2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? ☐ Yes ☒ No

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

Instructions:

First name	Last name	(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> If qualifies for (see instructions): 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"/>

Wages, salaries, tips, etc. Attach Form(s) W-2

1	63,400.		
2a	Taxable interest	2b	1,568.
3a	Qualified dividends	3b	
4a	IRA distributions	4b	
5a	Pensions and annuities	5b	
6a	Social security benefits	6b	
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here	7	-3,000.
8	Other income from Schedule 1, line 9	8	57,267.
9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9	119,235.

Adjustments to income

5 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E

5

-9,838.

17 Penalty on early withdrawal of savings

18a Alimony paid

b Recipient's SSN

c Date of original divorce or separation agreement (see instructions) ▶

19 IRA deduction

20 Student loan interest deduction

21 Tuition and fees deduction. Attach Form 8917

22 Add lines 10 through 21. These are your **adjustments to income**. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10a

For Paperwork Reduction Act Notice, see your tax return instructions. BAA REV 02/18/21 TTW Schedule 1 (Form 1040) 2020

Subtract line 10c from line 9. This is your **adjusted gross income**

Standard deduction or itemized deductions (from Schedule A)

Qualified business income deduction. Attach Form 8995 or Form 8995-A

Add lines 12 and 13

Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-

11	114,494.
12	40,503.
13	10,384.
14	50,887.
15	63,607.

For Paperwork Reduction Act Notice, see separate instructions. Form 1040 (2020)

Pages 2 & 4

Analyzing K1's & Business Returns

Income or Loss Reported on IRS Form 1065 or IRS Form 1120S, Schedule K-1

The version of Schedule K-1 that is utilized to report a borrower's share of income (or loss) is based on how the business reports earnings for tax purposes:

- partnership — reported on IRS Form 1065, Schedule K-1;
- S corporation — reported on IRS Form 1120S, Schedule K-1; and
- LLC — reported on either IRS Form 1065 or IRS Form 1120S, Schedule K-1, depending on how the federal income tax returns are filed for the LLC.

The lender must use caution when including income that the borrower draws from the borrower's partnership or S corporation as qualifying income. Ordinary income, net rental real estate income, and other net rental income reported on Schedule K-1 may be included in the borrower's cash flow provided the lender can confirm that the business has adequate liquidity to support the withdrawal of earnings, as described below:

- If the borrower has a two-year history of receiving "guaranteed payments to the partner" from a partnership or an LLC, these payments can be added to the borrower's cash flow.
- If the Schedule K-1 reflects a documented, stable history of receiving cash distributions of income from the business consistent with the level of business income being used to qualify, then no further documentation of access to the income or adequate business liquidity is required. But if the Schedule K-1 does not reflect a documented, stable history, then the lender must confirm adequate business liquidity, as discussed below.

If business tax returns are required, then the lender must consider the type of business structure and analyze the business returns, according to the requirements described in [B3-3.2-01, Underwriting Factors and Documentation for a Self-Employed Borrower](#).

Fannie Mae 2021 Selling Guide B3-3.3-07, Income or Loss Reported on IRS Form 1065 or 1120S, Schedule K1 (06/28/2016)

Fannie Mae Has a Written Policy Mandating Distributions

Income from Partnerships, LLCs, Estates, and Trusts

Income from partnerships, LLCs, estates, or trusts can only be considered if the lender obtains documentation, such as the Schedule K-1, verifying that

- the income was actually distributed to the borrower, or
- the business has adequate liquidity to support the withdrawal of earnings. If the Schedule K-1 provides this confirmation, no further documentation of business liquidity is required.

<https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/Subpart-B3-Underwriting-Borrowers/>

Liquidity

It is important that the lender select a business liquidity formula based on how the business operates. For example:

- The Quick Ratio (also known as the Acid Test Ratio) is appropriate for businesses that rely heavily on inventory to generate income. This test excludes inventory from current assets in calculating the proportion of current assets available to meet current liabilities.

Quick Ratio = $(\text{current assets} - \text{inventory}) \div \text{current liabilities}$

- The Current Ratio (also known as the Working Capital Ratio) may be more appropriate for businesses not relying on inventory to generate income.

Current Ratio = $\text{current assets} \div \text{current liabilities}$

For either ratio, a result of one or greater is generally sufficient to confirm adequate business liquidity to support the withdrawal of earnings.

Fannie Mae 2020 Selling Guide B3-3.3-07, Income or Loss Reported on IRS Form 1065 or 1120S, Schedule K1 (06/28/2016)

Balance Sheet

Schedule L		Balance Sheets per Books		Beginning of tax year		End of tax year	
		Assets		(a)	(b)	(c)	(d)
1	Cash				5,896		5,419
2a	Trade notes and accounts receivable						
b	Less allowance for bad debts						
3	Inventories				39,214		34,370
4	U.S. government obligations						
5	Tax-exempt securities						
6	Other current assets (attach statement)						
7a	Loans to partners (or persons related to partners)						
b	Mortgage and real estate loans						
8	Other investments (attach statement)						
9a	Buildings and other depreciable assets			22,558		22,558	
b	Less accumulated depreciation			14,734	7,824	17,141	5,417
10a	Depletable assets						
b	Less accumulated depletion						
11	Land (net of any amortization)						
12a	Intangible assets (amortizable only)						
b	Less accumulated amortization						
13	Other assets (attach statement)						
14	Total assets				52,934		45,206
		Liabilities and Capital					
15	Accounts payable						
16	Mortgages, notes, bonds payable in less than 1 year						
17	Other current liabilities (attach statement)				Stmt #3 12,917		Stmt #3 16,172
18	All nonrecourse loans						
19a	Loans from partners (or persons related to partners)						
b	Mortgages, notes, bonds payable in 1 year or more						
20	Other liabilities (attach statement)						
21	Partners' capital accounts				40,017		29,034
22	Total liabilities and capital				52,934		45,206

Training Tools and Information



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Mortgage Professional



Loan Officer



Loan Processor



Underwriter

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Mortgage


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 Fannie Mae Form 1084 Calculator (2019-2020) Calculate and analyze cash flow to help you complete Fannie Mae form 1084. <small>UPDATED</small>	 Fannie Mae Form 1084 Calculator XLS (2019-2020) Calculate and analyze cash flow to help you complete Fannie Mae form 1084. <small>UPDATED</small>	 Freddie Mac Form 91 Calculator (2019-2020) Quick reference guide and income analysis for Freddie Mac Form 91. <small>UPDATED</small>
 Freddie Mac Form 92 Calculator (2019-2020) Form 92 Net Rental Income Calculations - Schedule E. <small>UPDATED</small>	 Schedule Analysis Method (SAM) Calculator (2019-2020) Calculate qualifying income from tax returns. <small>UPDATED</small>	 Rental Income Calculator (2019-2020) Assists in calculating rental income from IRS form 1040 Schedule E. <small>UPDATED</small>
 Current Ratio - Liquidity Calculator (2019-2020) Calculate working capital liquidity against current liabilities. <small>UPDATED</small>	 Quick Ratio - Liquidity Calculator (2019-2020) Calculate an organization's liquidity against current liabilities. <small>UPDATED</small>	 Fannie Mae Rental Guide (Calculator 1037) Use this worksheet to calculate qualifying rental income for Fannie Mae Form 1037 (Principal Residence, 2- to 4-unit Property).
 Fannie Mae Rental Guide Calculator (1038)	 Fannie Mae Rental Guide (Calculator 1039) Calculate qualifying rental income for Fannie Mae Form 1039 (Business Rental Income from Investment Property).	 Fannie Mae Form 1088 Cheat Sheet Use this quick reference guide for Fannie Mae's Comparative Analysis Form (Form 1088).
 Fannie Mae Comparative Analysis Form 1088 Calculate increases/decreases in gross income, expenses and taxable income.	 Income Calculation Worksheet Use this form to calculate income. <small>UPDATED</small>	 P&L Calculator Created as result of changes made by the GSEs to adapt to the COVID-19 pandemic.
 Business Stability and Income Worksheet (2021) Created as result of changes made by the GSEs to adapt to the COVID-19 pandemic. <small>UPDATED</small>		

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Liquidity

Generally Accepted Accounting Principles

For full functionality, download PDF first before entering data. Please download before each calculation as calculators are updated periodically.

Borrower(s) Name(s) Loan Number

Property Address

Genworth Mortgage Insurance

Calculator and Quick Reference Guide: Liquidity (Acid Test or Quick Ratio)

Please use the following calculator and quick reference guide to assist you in evaluating liquidity from business returns. It provides suggested guidance only and does not replace Lender, Investor or GSE instructions or applicable guidelines. Please note all lines referenced below are from the applicable business return's Schedule L. If a Partnership did not complete a Schedule L (check Form 1065, Schedule B, Question 4 to verify one was not required), you cannot calculate liquidity from the tax form.

Liquidity (Acid Test or Quick Ratio)		2020	2019
1	Cash (PT/Ship, S-C and Corp: Line 1d)		
2	Tradepayables/Accounts Receivable Without Bad Debt (PT/Ship, S-C and Corp: Line 2b(2))		
3	US Government Obligations and/or Tax-Exempt Securities (Lines 4 and 5)*		
4	Other Current Assets (Other Marketable Securities; PT/Ship, S-C and Corp: Line 6d)*		
5	Accounts Payable (PT/Ship: Line 15d, S-C or Corp: Line 16d)		
6	Mortgages, Notes or Bonds Payable in Less Than 1 Year (PT/Ship: Line 16d, S-C or Corp: Line 17d)		
7	Other Current Liabilities (PT/Ship: Line 17d, S-C or Corp: Line 18d)		
Acid Test Ratio A result of one or greater is generally sufficient to confirm adequate business liquidity to support the withdrawal of earnings.		0.00 0.00	0.00 0.00




*Check your lender/investor policy on whether to include Government Obligations, Tax-Exempt Securities and/or Other Marketable Securities.

Click grey buttons to calculate result.
Please note: If Lines 5, 6 and 7 contain 0, the calculator will show an error message, but the business is solvent.

Learn More About Training Opportunities

Genworth Mortgage Insurance offers a comprehensive suite of training opportunities to boost your know-how, benefit your bottom line and serve your borrowers better. View all of our course offerings at ml.genworth.com/course-catalog

Contact the Genworth ActionCenter® at 800.444.5664 Monday through Friday from 8:00 a.m. to 8:00 p.m. ET if you have any questions.

 **Print Form**  **Save Form**  **Clear Form**

Disclaimer
The Liquidity Calculator, provided by Genworth Mortgage Insurance, assists in analyzing whether the borrower's business may have the ability to meet immediate debt obligations with the cash or cash-equivalent assets available, using values from the business's balance sheet. Schedule L of the business return and/or current balance sheet accuracy is one of many indicators that should be considered when evaluating the current health of a business. This calculator provides suggested guidance only and does not replace Lender, Investor or GSE instructions or applicable guidelines.

IN NO EVENT SHALL GENWORTH BE LIABLE FOR ANY DIRECT, INDIRECT, INCIDENTAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES OF ANY KIND WHATSOEVER WITH RESPECT TO THE USE OF THIS CALCULATOR.

This calculator can be found at <https://ml.genworth.com/self-employed-borrower-calculators>

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Genworth Mortgage Insurance underwriters include: Genworth Mortgage Insurance Corporation and Genworth Mortgage Insurance Corporation of North Carolina

Liquidity – Current Ratio

Generally Accepted Accounting Principles

For full functionality, download PDF first before entering data. Please download before each calculation as calculators are updated periodically.

Borrower(s) Name(s) Loan Number

Property Address

Genworth Mortgage Insurance

Calculator and Quick Reference Guide: Liquidity (Current or Working Capital Ratio)

Please use the following calculator and quick reference guide to assist you in evaluating liquidity from business returns. It provides suggested guidance only and does not replace Lender, Investor or GSE instructions or applicable guidelines. Please note all lines referenced below are from the applicable business return's Schedule L. If a Partnership did not complete a Schedule L (check Form 1065, Schedule B, Question 4 to verify one was not required), you cannot calculate liquidity from the tax form.

Liquidity (Current or Working Capital Ratio)	2020	2019
1 Cash (PT/ship, S-C and Corp: Line 1d)		
2 Tradenotes/Accounts Receivable Without Bad Debt (PT/ship, S-C and Corp: Line 2b(d))		
3 Inventories (Line 3)		
4 US Government Obligations and/or Tax-Exempt Securities (Lines 4 and 5)*		
5 Other Current Assets (Other Marketable Securities; PT/ship, S-C and Corp: Line 6d)*		
6 Accounts Payable (PT/ship: Line 15d, S-C or Corp: Line 16d)		
7 Mortgages, Notes or Bonds Payable in Less Than 1 Year (PT/ship: Line 16d, S-C or Corp: Line 17d)		
8 Other Current Liabilities (PT/ship: Line 17d, S-C or Corp: Line 18d)		
Current Ratio A result of one or greater is generally sufficient to confirm adequate business liquidity to support the withdrawal of earnings.	0.00 0.00	0.00 0.00




*Check your lender/investor policy on whether to include Government Obligations, Tax-Exempt Securities and/or Other Marketable Securities.

Click gray buttons to calculate result.
Please note: Lines 6, 7 and 8 total zero; the calculator will show an error message, but the business is correct.

Learn More About Training Opportunities

Genworth Mortgage Insurance offers a comprehensive suite of training opportunities to boost your know-how, benefit your bottom line and serve your borrowers better. View all of our course offerings at mi.genworth.com/course-catalog

Contact the Genworth ActionCenter® at 800.444.5664 Monday through Friday from 8:00 a.m. to 8:00 p.m. ET if you have any questions.

 **Print Form**  **Save Form**  **Clear Form**

Disclaimer
The Liquidity Calculator, provided by Genworth Mortgage Insurance, assists in analyzing whether the borrower's business may have the ability to meet immediate debt obligations with the cash or cash-equivalent assets available, using values from the business's balance sheet, Schedule L, of the business return and/or current balance sheet solvency is one of many indicators that should be considered when evaluating the current health of a business. This calculator provides suggested guidance only and does not replace Lender, Investor or GSE instructions or applicable guidelines.

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This calculator can be found at <https://mi.genworth.com/self-employed-borrower-calculator>

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Genworth Mortgage Insurance underwriters include: Genworth Mortgage Insurance Corporation and Genworth Mortgage Insurance Corporation of North Carolina

Balance Sheet

Schedule L		Balance Sheets per Books		Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)		
Assets							
1	Cash		5,896		5,419		
2a	Trade notes and accounts receivable						
b	Less allowance for bad debts						
3	Inventories		39,214		34,370		
4	U.S. government obligations						
5	Tax-exempt securities						
6	Other current assets (attach statement)						
7a	Loans to partners (or persons related to partners)						
b	Mortgage and real estate loans						
8	Other investments (attach statement)						
9a	Buildings and other depreciable assets	22,558		22,558			
b	Less accumulated depreciation	14,734	7,824	17,141	5,417		
10a	Depletable assets						
b	Less accumulated depletion						
11	Land (net of any amortization)						
12a	Intangible assets (amortizable only)						
b	Less accumulated amortization						
13	Other assets (attach statement)						
14	Total assets		52,934		45,206		
Liabilities and Capital							
15	Accounts payable						
16	Mortgages, notes, bonds payable in less than 1 year						
17	Other current liabilities (attach statement)	Stmt #3	12,917		Stmt #3	16,172	
18	All nonrecourse loans						
19a	Loans from partners (or persons related to partners)						
b	Mortgages, notes, bonds payable in 1 year or more						
20	Other liabilities (attach statement)						
21	Partners' capital accounts		40,017		29,034		
22	Total liabilities and capital		52,934		45,206		

Page 26 *If the Schedule L Balance Sheet is blank is there any additional documentation you may be able to provide to document the businesses liquidity?*

Balance Sheet

Quick Ratio or Acid Test

Current Assets : (Cash #1 + Acct Receivable #2 + #4+ #5 +Other Current Assets #6)

Current Liabilities: (Acct Pay. #15 + MNB #16 + Other Current Liabilities #17)

Schedule L		Balance Sheets per Books		Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)		
Assets							
1	Cash		5,896	→	5,419		
2a	Trade notes and accounts receivable						
b	Less allowance for bad debts			→			
3	Inventories		39,214		34,370		
4	U.S. government obligations			→			
5	Tax-exempt securities			→			
6	Other current assets (attach statement)			→			
15	Accounts payable			→			
16	Mortgages, notes, bonds payable in less than 1 year			→			
17	Other current liabilities (attach statement)		Stmt #3 12,917	→	Stmt #3 16,172		

Current Assets: $\$5,419 + 0 + 0 + 0 + 0 = \$5,419$

Current Liabilities: $\$0 + \$0 + \$16,172 = \$16,172$

$= \$5,419/16,172$

Liquidity – Quick Ratio

Generally Accepted Accounting Principles

Calculator and Quick Reference Guide: Liquidity (Acid Test or Quick Ratio)

Please use the following calculator and quick reference guide to assist you in evaluating liquidity from business returns. It provides suggested guidance only and does not replace Lender, Investor or GSE instructions or applicable guidelines. Please note all lines referenced below are from the applicable business return's Schedule L. If a Partnership did not complete a Schedule L (check Form 1065, Schedule B, Question 4 to verify one was not required), you cannot calculate liquidity from the tax form.

Liquidity (Acid Test or Quick Ratio)		2020	2019
1	Cash (P/Tship, S-C and Corp: Line 1d)	\$ 5,419.00	
2	Tradenotes/Accounts Receivable Without Bad Debt (P/Tship, S-C and Corp: Line 2b[d])		
3	US Government Obligations and/or Tax-Exempt Securities (Lines 4 and 5)*		
4	Other Current Assets (Other Marketable Securities; P/Tship, S-C and Corp: Line 6d)*		
5	Accounts Payable (P/Tship: Line 15d, S-C or Corp: Line 16d)		
6	Mortgages, Notes or Bonds Payable in Less Than 1 Year (P/Tship: Line 16d, S-C or Corp: Line 17d)		
7	Other Current Liabilities (P/Tship: Line 17d, S-C or Corp: Line 18d)	\$ 16,172.00	
Acid Test Ratio		5,419.00	0.00
A result of one or greater is generally sufficient to confirm adequate business liquidity to support the withdrawal of earnings.		16,172.00	0.00
		0.335	

*Check your lender/investor policy on whether to include Government Obligations, Tax-Exempt Securities and/or Other Marketable Securities.

Click gray buttons to calculate result.
Please note: If Lines 5, 6 and 7 total zero, the calculator will show an error message, but the business is solvent.

Quick Reference Guide Partnership K-1

Partnership or S Corporation

A self-employed borrower's share of Partnership or S Corporation earnings may be considered provided that:

- The borrower can document ownership share (for example, the Schedule K-1); and
- The K-1 reflects a documented, stable history of receiving cash distributions of income consistent with the level of business income used to qualify; or lenders must verify the business has adequate liquidity to support the withdrawal of earnings.
- See liquidity calculators to aid in confirmation of adequate liquidity.

Note: See additional information on the fourth page of this calculator.

IRS Form 1065 - Partnership Income				2020	2019	NOTES
7	Schedule K-1 Form 1065 - Partner's Share of Income					*Review Line 19 for a distribution
→	a. Ordinary Income/Loss (Line 1)*	+/-			→	
	b. Net Rental Real Estate; Other Net Income (Loss) (Lines 2, 3)*	+/-				
	c. Guaranteed Payments to Partner (Line 4c)	+				**Only add back the eligible "Other" deductions, such as Amortization or Casualty Loss.
8	Form 1065 - Adjustments to Business Cash Flow					

Genworth Calculator Is A Tool; Lenders/Underwriters Review Each Loan File And Determine Compliance With Fannie Mae Or Investor Guidelines

Partnership K-1

2020
\$ 5,419.00
\$ 16,172.00
5,419.00 0.335
16,172.00

1	Ordinary business income (loss)
	-3,954

19	Distributions

Income from Partnerships, LLCs, Estates, and Trusts

Income from partnerships, LLCs, estates, or trusts can only be considered if the lender obtains documentation, such as the Schedule K-1, verifying that

- the income was actually distributed to the borrower, or
- the business has adequate liquidity to support the withdrawal of earnings. If the Schedule K-1 provides this confirmation, no further documentation of business liquidity is required.

Schedule K-1 (Form 1065) 2020
Department of the Treasury
Internal Revenue Service

For calendar year 2020, or tax year beginning / / 2020 ending / /

Partner's Share of Income, Deductions, Credits, etc.
See separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 12-1234567

B Partnership's name, address, city, state, and ZIP code
Light It Up, LLC
350 Broad St
Red Bank, NJ 07755

C IRS Center where partnership filed return: e file

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.) XXX-XX-XXXX

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
Mary Homeowner
7 Galloping Hill Road, Colts Neck, NJ 07708

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H1 ☐ Domestic partner ☐ Foreign partner

H2 ☐ If the partner is a disregarded entity (DE), enter the partner's:

TIN Name

I1 What type of entity is this partner? Individual

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	50.00000 %	50.00000 %
Loss	50.00000 %	50.00000 %
Capital	50.00000 %	50.00000 %

Check if decrease is due to sale or exchange of partnership interest ☐

K Partner's share of liabilities:

	Beginning	Ending
Nonrecourse	\$	\$
Qualified nonrecourse	\$	\$

Units from lower tier partnerships.

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	-3,954		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4a	Guaranteed payments for services		
4b	Guaranteed payments for capital		
4c	Total guaranteed payments		
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends		
6c	Dividend equivalents	17	Alternative minimum tax (AMT) items
7	Royalties	A	-118
8	Net short-term capital gain (loss)		
9a	Net long-term capital gain (loss)	18	Tax-exempt income and nondeductible expenses
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1256 gain		
10	Net section 1231 gain (loss)	19	Distributions
11	Other income (loss)		
12	Section 179 deduction	20	Other information
13	Other deductions		
14	Self-employment earnings (loss)		
21	<input type="checkbox"/> More than one activity for at-risk purposes*		
22	<input type="checkbox"/> More than one activity for passive activity purposes*		

*See attached statement for additional information.

For IRS Use Only

For Paperwork Reduction Act Notice, see Instructions for Form 1065. www.irs.gov/Form1065 Cat. No. 11394R Schedule K-1 (Form 1065) 2020

Can We Use Ordinary Income/Rental Income? Was There A Distribution? Solvent?

Partnership K-1

Schedule K-1 (Form 1065) 2020
 Department of the Treasury
 Internal Revenue Service

For calendar year 2020, or tax year beginning / / 2020 ending / /

Partner's Share of Income, Deductions, Credits, etc.
 ▶ See separate instructions.

Part I Information About the Partnership
 A Partnership's employer identification number 12-1234567

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1 Ordinary business income (loss)	15 Credits
-3,954	
2 Net rental real estate income (loss)	
3 Other net rental income (loss)	16 Foreign transactions
4a Guaranteed payments for services	
4b Guaranteed payments for capital	

IRS Form 1065 - Partnership Income

2020

7 Schedule K-1 Form 1065 - Partner's Share of Income

a. Ordinary Income/Loss (Line 1)*

+/-

(3,954.00)

b. Net Rental Real Estate; Other Net Income (Loss) (Lines 2, 3)*

+/-

c. Guaranteed Payments to Partner (Line 4c)

+

11 What type of entity is this partner? ☒ Individual

12 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

Beginning		Ending	
Profit	50.00000 %	50.00000 %	
Loss	50.00000 %	50.00000 %	
Capital	50.00000 %	50.00000 %	

Check if decrease is due to sale or exchange of partnership interest ☐

K Partner's share of liabilities:

Beginning		Ending	
Nonrecourse	\$	\$	
Qualified nonrecourse financing	\$	\$	
Recourse	\$	\$	

☐ Check this box if item K includes liability amounts from lower tier partnerships.

L Partner's Capital Account Analysis

Beginning capital account	\$ 54,191
Capital contributed during the year	\$
Current year net income (loss)	\$ -3,954
Other increase (decrease) (attach explanation)	\$
Withdrawals & distributions	\$ ()
Ending capital account	\$ 50,237

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No If "Yes," attach statement. See instructions.

N Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)
 Beginning \$
 Ending \$

9c Unrecaptured section 1250 gain

10 Net section 1231 gain (loss)

11 Other income (loss)

12 Section 179 deduction

13 Other deductions

14 Self-employment earnings (loss)

18 Distributions

20 Other information

21 ☐ More than one activity for at-risk purposes*

22 ☐ More than one activity for passive activity purposes*

*See attached statement for additional information.

For IRS Use Only

Partnership K-1

2	Net rental real estate income (loss)
3	Other net rental income (loss)

Schedule K-1 (Form 1065) 2020
 Department of the Treasury
 Internal Revenue Service

For calendar year 2020, or tax year beginning / / 2020 ending / /

Partner's Share of Income, Deductions, Credits, etc.
 ▶ See separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
12-1234567

B Partnership's name, address, city, state, and ZIP code
Light It Up, LLC
350 Broad St
Red Bank, NJ 07755

C IRS Center where partnership filed return ▶ e file

Part II Information About the Partner

D Check if this is a publicly traded partnership (PTP)

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)
XXX-XX-XXXX

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
Mary Homeowner
7 Galloping Hill Road, Colts Neck, NJ 07708

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H1 ☐ Domestic partner ☐ Foreign partner

H2 ☐ If the partner is a disregarded entity (DE), enter the partner's:
TIN Name

I1 What type of entity is this partner? Individual

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	50.00000 %	50.00000 %
Loss	50.00000 %	50.00000 %
Capital	50.00000 %	50.00000 %

Check if decrease is due to sale or exchange of partnership interest ☐

K Partner's share of liabilities:

	Beginning	Ending
Nonrecourse	\$	\$
Qualified nonrecourse financing	\$	\$
Recourse	\$	\$

☐ Check this box if item K includes liability amounts from lower tier partnerships.

L Partner's Capital Account Analysis

Beginning capital account	\$ 54,191
Capital contributed during the year	\$
Current year net income (loss)	\$ -3,954
Other increase (decrease) (attach explanation)	\$
Withdrawals & distributions	\$ ()
Ending capital account	\$ 50,237

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No If "Yes," attach statement. See instructions.

N Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)

Beginning	\$
Ending	\$

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1 Ordinary business income (loss)	15 Credits
2 Net rental real estate income (loss)	-3,954
3 Other net rental income (loss)	16 Foreign transactions
4a Guaranteed payments for services	
4b Guaranteed payments for capital	
4c Total guaranteed payments	
5 Interest income	
6a Ordinary dividends	
6b Qualified dividends	
6c Dividend equivalents	17 Alternative minimum tax (AMT) items
7 Royalties	A -118
8 Net short-term capital gain (loss)	
9a Net long-term capital gain (loss)	18 Tax-exempt income and nondeductible expenses
9b Collectibles (28%) gain (loss)	
9c Unrecaptured section 1250 gain	
10 Net section 1231 gain (loss)	19 Distributions
11 Other income (loss)	
12 Section 179 deduction	20 Other information
13 Other deductions	
14 Self-employment earnings (loss)	
21 <input type="checkbox"/> More than one activity for at-risk purposes*	
22 <input type="checkbox"/> More than one activity for passive activity purposes*	

*See attached statement for additional information.

For IRS Use Only

OMB No. 1545-0123

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Partnership K-1

4a	Guaranteed payments for services
4b	Guaranteed payments for capital
4c	Total guaranteed payments

Schedule K-1 (Form 1065) 2020
Department of the Treasury
Internal Revenue Service

For calendar year 2020, or tax year beginning / / 2020 ending / /

Partner's Share of Income, Deductions, Credits, etc.
▶ See separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 12-1234567

B Partnership's name, address, city, state, and ZIP code
Light It Up, LLC
350 Broad St
Red Bank, NJ 07755

C IRS Center where partnership filed return ▶ e file

D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)
XXX-XX-XXXX

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
Mary Homeowner
7 Galloping Hill Road, Colts Neck, NJ 07708

G ☐ General partner, LLC ☒ Limited partner, other LLC ☐ Limited short-term partner, other LLC

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4a	Guaranteed payments for services		
4b	Guaranteed payments for capital		
4c	Total guaranteed payments		
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends		
6c	Dividend equivalents	17	Alternative minimum tax (AMT) items
7	Royalties	A	-118

Part IV Other Deductions

13 Other deductions

Part V Self-Employment Earnings (Loss)

14 Self-employment earnings (loss)

Part VI Other Information

21 ☐ More than one activity for at-risk purposes*

22 ☐ More than one activity for passive activity purposes*

*See attached statement for additional information.

For IRS Use Only

Partner's Capital Account Analysis

Beginning capital account	\$ 54,191
Capital contributed during the year	\$
Current year net income (loss)	\$ -3,954
Other increase (decrease) (attach explanation)	\$
Withdrawals & distributions	\$ ()
Ending capital account	\$ 50,237

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No If "Yes," attach statement. See instructions.

N Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)
Beginning \$
Ending \$

For Paperwork Reduction Act Notice, see Instructions for Form 1065. www.irs.gov/Form1065 Cat. No. 11394R Schedule K-1 (Form 1065) 2020

IRS Form 1065 - Partnership Income

2020

2019

7 Schedule K-1 Form 1065 - Partner's Share of Income

a. Ordinary Income/Loss (Line 1)*

+/-

(3,954.00)

b. Net Rental Real Estate; Other Net Income (Loss) (Lines 2, 3)*

+/-

0.00

c. Guaranteed Payments to Partner (Line 4c)

+

Partnership K-1

651119
OMB No. 1545-0123

Schedule K-1 (Form 1065) 2020
Department of the Treasury
Internal Revenue Service

For calendar year 2020, or tax year beginning / / 2020 ending / /

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4a	Guaranteed payments for services		
4b	Guaranteed payments for capital		
4c	Total guaranteed payments		
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends		
6c	Dividend equivalents	17	Alternative minimum tax (AMT) items
7	Royalties	A	
8	Net short-term capital gain (loss)		

Part I Information About the Partnership

A Partnership's employer identification number
12-1234567

B Partnership's name, address, city, state, and ZIP code
Light It Up, LLC
350 Broad St
Red Bank, NJ 07755

C IRS Center where partnership filed return e file

☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)
XXX-XX-XXXX

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
Mary Homeowner
7 Galloping Hill Road, Colts Neck, NJ 07708

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

IRS Form 1065 - Partnership Income			2020	2019	Tax-exempt income and nondeductible expenses
7	Schedule K-1 Form 1065 - Partner's Share of Income				
	a. Ordinary Income/Loss (Line 1)*	+/-	(3,954.00)		Distributions
	b. Net Rental Real Estate; Other Net Income (Loss) (Lines 2, 3)*	+/-	0.00		Other information
	c. Guaranteed Payments to Partner (Line 4c)	+	0.00		
<div><div><div>Qualified nonrecourse financing . . . \$</div><div>Recourse . . . \$</div><div><input type="checkbox"/> Check this box if Item K includes liability amounts from lower tier partnerships.</div></div><div>L Partner's Capital Account Analysis</div><div><div>Beginning capital account . . . \$</div><div>Capital contributed during the year . . . \$</div><div>Current year net income (loss) . . . \$</div><div>Other increase (decrease) (attach explanation) \$</div><div>Withdrawals & distributions . . . \$</div></div><div><div>14 Self-employment earnings (loss)</div><div>21 <input type="checkbox"/> More than one activity for at-risk purposes*</div><div>22 <input type="checkbox"/> More than one activity for passive activity purposes*</div></div></div>					

Before You Give Credit For The Guarantee Payments, Does This Business Appear to Be Capable Of Paying It In The Future? History Of Receipt and Likely To Continue

Fannie Mae Selling Guide < than 25%

B3-3.1-09, Other Sources of Income (12/16/2020)

- [Royalty Payment Income](#)
- [Schedule K-1 Income](#)
- [Social Security Income](#)
- [Temporary Leave Income](#)
- [Tip Income](#)
- [Trust Income](#)
- [Unemployment Benefits Income](#)
- [VA Benefits Income](#)

Schedule K-1 Income

For borrowers who have less than 25% ownership of a partnership, S corporation, or limited liability company (LLC), ordinary income, net rental real estate income, and other net rental income reported on IRS Form 1065 or IRS Form 1120S, Schedule K-1 may be used in qualifying the borrower provided the lender can confirm the business has adequate liquidity to support the withdrawal of earnings. If the Schedule K-1 provides this confirmation, no further documentation of business liquidity is required.

The following table provides verification of income requirements for Schedule K-1 borrowers with less than 25% ownership of a partnership, an S corporation, or an LLC.

✓ Verification of Schedule K-1 Income

If the Schedule K-1 reflects a documented, stable history of receiving cash distributions of income from the business consistent with the level of business income being used to qualify, then no further documentation of access to the income or adequate business liquidity is required. The Schedule K-1 income may then be included in the borrower's cash flow.

If the Schedule K-1 does not reflect a documented, stable history of receiving cash distributions of income from the business consistent with the level of business income being used to qualify, then the lender must confirm the business has adequate liquidity to support the withdrawal of earnings. The lender may use discretion in the method used to confirm the business has adequate liquidity.

If the borrower has a two-year history of receiving "guaranteed payments to the partner" from a partnership or an LLC, these payments can be added to the borrower's cash flow.


Note: An exception to the two-year requirement of receiving "guaranteed payments to the partner" is if a borrower has recently acquired nominal ownership in a professional services partnership (for example, a medical practice or a law firm) after having an established employment history with the partnership. In this situation, the lender may rely on the borrower's guaranteed compensation. This must be evidenced by the borrower's partnership agreement and further supported by evidence of current year-to-date income.

<https://selling-guide.fanniemae.com>

Partnership Form 1065

8	Form 1065 - Adjustments to Business Cash Flow			
→	a. Ordinary (Income) Loss from Other Partnerships (<i>Line 4</i>)	+/-		
	b. Nonrecurring Other (Income) or Loss (<i>Lines 5, 6 & 7</i>)	+/-		
	c. Depreciation (<i>Line 16c, including 8825 Line 14</i>)	+		
	d. Depletion (<i>Line 17</i>)	+		
	e. Amortization/Casualty (<i>Review Attachment Related to Line 20**</i>)	+		
	f. Mortgages or Notes Payable in Less than 1 Year (<i>Schedule L, Line 16d***</i>)	-		
	g. Non-deductible Travel and Entertainment Expenses (<i>Schedule M-1, Line 4b</i>)	-		
	Subtotal	=	\$ 0.00	\$ 0.00
	Percent Ownership (From Schedule K-1)		%	%
	Total Form 1065	=	\$ 0.00	\$ 0.00

Section 8 – Form 1065

8	Form 1065 - Adjustments to Business Cash Flow		
	a. Ordinary (Income) Loss from Other Partnerships (Line 4)	+/-	0.00
	b. Nonrecurring Other (Income) or Loss (Lines 5, 6 & 7)	+/-	
	c. Depreciation (Line 16c, including 8825 Line 14)	+	
	d. Depletion (Line 17)	+	
	e. Amortization/Casualty (Review Attachment Related to Line 20**)	+	
	f. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 16d***)	-	
	g. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 4b)	-	
	Subtotal	=	\$ 0.00
	Percent Ownership (From Schedule K-1)		%
	Total Form 1065	=	\$ 0.00

Form 1065 U.S. Return of Partnership Income

OMB No. 1545-0123

For calendar year 2020, or tax year beginning _____, 2020, ending _____, 2020

Department of the Treasury Internal Revenue Service

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

A Principal business activity
Retail

B Principal product or service
product

C Business code number
123456

Name of partnership
Light It Up, LLC

Number, street, and room or suite no. If a P.O. box, see instructions.
350 Broad Street

City or town, state or province, country, and ZIP or foreign postal code
Red Bank, NJ 07755

D Employer identification number
12-1234567

E Date business started
10/01/2015

F Total assets (see instructions)
\$ 45,206

G Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return

H Check accounting method: (1) ☒ Cash (2) ☐ Accrual (3) ☐ Other (specify) _____

I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year _____ 2

J Check if Schedules C and M-3 are attached _____ ☐

K Check if partnership: (1) ☐ Aggregated activities for section 465 at-risk purposes (2) ☐ Grouped activities for section 465 passive activity purposes

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 753,953

1b Returns and allowances

2 Cost of goods sold (attach Form 1125-A)

3 Gross profit. Subtract line 2 from line 1a 384,447

4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement) 4

5 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)

6 Other income (loss) (attach statement)

7 Total income (loss). Combine lines 3 through 6 370,991

8 Salaries and wages (other than to partners) (less employment credits)

9 Guaranteed payments to partners

10 Repairs and maintenance

11 Bad debts

12 Rent

13 Taxes and licenses

14 Interest (see instructions)

15 Depreciation (if required, attach Form 4562)

16a Less depreciation reported on Form 1125-A and elsewhere on return 2,407

16b Depreciation (Do not deduct oil and gas depletion.)

17 Retirement plans, etc.

18 Employee benefit programs

19 Other deductions (attach statement)

20 Total deductions. Add the amounts shown in the far right column for lines 8 through 20 86,190

21 Ordinary business income (loss). Subtract line 21 from line 8 -7,909

22 Interest due under the look-back method—completed long-term contracts (attach Form 8697)

23 Interest due under the look-back method—income forecast method (attach Form 8866)

24 BBA AAR imputed underpayment (see instructions)

25 Other taxes (see instructions)

26 Total balance due. Add lines 23 through 26

27 Payment (see instructions)

28 Amount owed. If line 28 is smaller than line 27, enter amount owed

29 Overpayment. If line 28 is larger than line 27, enter overpayment

30

Sign Here

Signature of partner or limited liability company member _____ Date _____

Paid Preparer Use Only

Print/Type preparer's name Tommy Saprono

Preparer's signature _____

Firm's name Tommy's Tax

Firm's address 120 Main Street, Hoboken, NJ 07030

Check ☐ if self-employed

PTIN P12345678

Firm's EIN 22-1234567

Phone no.

Section 8 – Form 1065

8	Form 1065 - Adjustments to Business Cash Flow		
	a. Ordinary (Income) Loss from Other Partnerships (Line 4)	+/-	0.00
	b. Nonrecurring Other (Income) or Loss (Lines 5, 6 & 7)	+/-	(1,485.00)
	c. Depreciation (Line 16c, including 8825 Line 14)	+	
	d. Depletion (Line 17)	+	
	e. Amortization/Casualty (Review Attachment Related to Line 20**)	+	
	f. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 16d***)	-	
	g. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 4b)	-	
	Subtotal	=	(\$ 1,485.00)
	Percent Ownership (From Schedule K-1)		%
	Total Form 1065	=	\$ 0.00
	Total Partnership Income		\$ 0.00

Form 1065 U.S. Return of Partnership Income OMB No. 1545-0123

For calendar year 2020, or tax year beginning _____, 2020, ending _____, 20____

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

2020

A Principal business activity
Retail

B Principal product or service
product

C Business code number
123456

D Name of partnership
Light It Up, LLC

E Number, street, and room or suite no. If a P.O. box, see instructions.
350 Broad Street

F City or town, state or province, country, and ZIP or foreign postal code
Red Bank, NJ 07755

G Employer identification number
12-1234567

H Date business started
10/01/2015

I Total assets (see instructions)
\$ 45,206

J Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return

K Check accounting method: (1) ☒ Cash (2) ☐ Accrual (3) ☐ Other (specify) _____

L Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year _____

M Check if Schedules C and M-3 are attached _____

N Check if partnership: (1) ☐ Aggregated activities for section 465 at-risk purposes (2) ☐ Grouped activities for section 469 passive activity purposes

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	753,953	1a	753,953
1b	Returns and allowances		1b	
2	Balance. Subtract line 1b from line 1a		1c	753,953
3	Cost of goods sold (attach Form 1125-A)		2	384,447
4	Gross profit. Subtract line 2 from line 1c		3	369,506
5	Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)		4	
6	Net farm profit (loss) (attach Schedule F (Form 1040))		5	
7	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)		6	
8	Other income (loss) (attach statement)		7	1,485
9	Salaries and wages (other than to partners) (less employment credits)		8	
10	Guaranteed payments to partners		9	220,414
11	Repairs and maintenance		10	
12	Bad debts		11	1,815
13	Rent		12	
14	Taxes and licenses		13	46,795
15	Interest (see instructions)		14	18,780
16a	Depreciation (if required, attach Form 4562)	2,407	15	
16b	Less depreciation reported on Form 1125-A and elsewhere on return		16a	2,407
17	Depletion (Do not deduct oil and gas depletion.)		16b	2,407
18	Retirement plans, etc.		17	
19	Employee benefit programs		18	2,499
20	Other deductions (attach statement)		19	
21	Total deductions. Add the amounts shown in the far right column for lines 9 through 20		20	86,190
22	Ordinary business income (loss). Subtract line 21 from line 8		21	378,900
23	Interest due under the look-back method—completed long-term contracts (attach Form 8697)		22	-7,909
24	Interest due under the look-back method—income forecast method (attach Form 8866)		23	
25	BBA AAR imputed underpayment (see instructions)		24	
26	Other taxes (see instructions)		25	
27	Total balance due. Add lines 23 through 26		26	
28	Payment (see instructions)		27	0
29	Amount owed. If line 28 is smaller than line 27, enter amount owed		28	0
30	Overpayment. If line 28 is larger than line 27, enter overpayment		29	
			30	0

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than partner or limited liability company member) is based on all information of which preparer has any knowledge.

Signature of partner or limited liability company member _____ Date _____

Paid Preparer Use Only

Print/Type preparer's name _____ Preparer's signature _____ Date _____

Firm's name: Tommy's Tax _____ Firm's EIN: 22-1234567 _____

May the IRS discuss this return with the preparer shown below? See instructions. ☐ Yes ☒ No

PTIN: P12345678

Section 8 – Form 1065

8	Form 1065 - Adjustments to Business Cash Flow		
	a. Ordinary (Income) Loss from Other Partnerships (Line 4)	+/-	0.00
	b. Nonrecurring Other (Income) or Loss (Lines 5, 6 & 7)	+/-	(1,485.00)
	c. Depreciation (Line 16c, including 8825 Line 14)	+	2,407.00
	d. Depletion (Line 17)	+	
	e. Amortization/Casualty (Review Attachment Related to Line 20**)	+	
	f. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 16d***)	-	
	g. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 4b)	-	
	Subtotal	=	\$ 922.00
	Percent Ownership (From Schedule K-1)		%
	Total Form 1065	=	\$ 0.00

Page 18

Form 1065 U.S. Return of Partnership Income For calendar year 2020, or tax year beginning _____, 2020, ending _____, 20____ Department of the Treasury Internal Revenue Service Go to www.irs.gov/Form1065 for instructions and the latest information.		OMB No. 1545-0123 2020																																																																																																																															
A Principal business activity Retail B Principal product or service product C Business code number 123456	Name of partnership Light It Up, LLC Number, street, and room or suite no. If a P.O. box, see instructions. 350 Broad Street City or town, state or province, country, and ZIP or foreign postal code Red Bank, NJ 07755	D Employer identification number 12-1234567 E Date business started 10/01/2015 F Total assets (see instructions) \$ 45,206																																																																																																																															
G Check applicable boxes: (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change (5) <input type="checkbox"/> Amended return H Check accounting method: (1) <input checked="" type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) _____ I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year _____ 2 J Check if Schedules C and M-3 are attached _____ <input type="checkbox"/> K Check if partnership: (1) <input type="checkbox"/> Aggregated activities for section 465 at-risk purposes (2) <input type="checkbox"/> Grouped activities for section 469 passive activity purposes Caution: Include only trade or business income and expenses on lines 1a through 22 below. See instructions for more information.																																																																																																																																	
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Sign Here Signature of partner or limited liability company member _____ Date _____ Paid Preparer Use Only Print/type preparer's name _____ Preparer's signature _____ Date _____ Firm's name _____ Firm's EIN _____ Firm's address _____ Phone no. _____																																																																																																																																	

Section 8 – Form 1065

Form 8825 (Rev. December 2010) Department of the Treasury Internal Revenue Service		Rental Real Estate Income and Expenses of a Partnership or an S Corporation ▶ See instructions on back. ▶ Attach to Form 1065, Form 1065-B, or Form 1120S.				OMB No. 1545-1186
Name _____					Employer identification number _____	
1	Show the type and address of each property. For each rental real estate property listed, report the number of days rented at fair rental value and days with personal use. See instructions. See page 2 to list additional properties.					
	Physical address of each property—street, city, state, ZIP code	Type—Enter code 1-8; see page 2 for list	Fair Rental Days	Personal Use Days		
A						
B						
C						
D						
		Properties				
Rental Real Estate Income		A	B	C	D	
2	Gross rents	2				
Rental Real Estate Expenses						
3	Advertising	3				
4	Auto and travel	4				
5	Cleaning and maintenance	5				
6	Commissions	6				
7	Insurance	7				
8	Legal and other professional fees	8				
9	Interest	9				
10	Repairs	10				
11	Taxes	11				
12	Utilities	12				
13	Wages and salaries	13				
14	Depreciation (see instructions)	14				
15	Other property	15				
16	Total expenses for each property. Add lines 3 through 15	16				
17	Income or (loss) from each property. Subtract line 16 from line 2	17				
18a	Total gross rents. Add gross rents from line 2, columns A through H	18a				
18b	Total expenses. Add total expenses from line 16, columns A through H	18b				
19	Net gain (loss) from Form 4797, Part II, line 17, from the disposition of property from rental real estate activities	19				
20a	Net income (loss) from rental real estate activities from partnerships, estates, and trusts in which this partnership or S corporation is a partner or beneficiary (from Schedule K-1)	20a				
b Identify below the partnerships, estates, or trusts from which net income (loss) is shown on line 20a. Attach a schedule if more space is needed:						
(1) Name		(2) Employer identification number				
_____		_____				
_____		_____				
21	Net rental estate income (loss). Combine lines 18a through 20a. Enter the result here and on: • Form 1065 or 1120S: Schedule K, line 2, or • Form 1065-B: Part I, line 4	21				
For Paperwork Reduction Act Notice, see back of form.						
						Form 8825 (12-2010)

No Example

Section 8 – Form 1065

8	Form 1065 - Adjustments to Business Cash Flow		
	a. Ordinary (Income) Loss from Other Partnerships (Line 4)	+/-	0.00
	b. Nonrecurring Other (Income) or Loss (Lines 5, 6 & 7)	+/-	(1,485.00)
	c. Depreciation (Line 16c, including 8825 Line 14)	+	2,407.00
	d. Depletion (Line 17)	+	
	e. Amortization/Casualty (Review Attachment Related to Line 20**)	+	
	f. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 16d***)	-	
	g. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 4b)	-	
	Subtotal	=	\$ 922.00
	Percent Ownership (From Schedule K-1)		%
	Total Form 1065	=	\$ 0.00
	Total Partnership Income		\$ 0.00

Page 18

Form 1065		U.S. Return of Partnership Income		OMB No. 1545-0123	
For calendar year 2020, or tax year beginning _____, 2020, ending _____, 20		Go to www.irs.gov/Form1065 for instructions and the latest information.		2020	
Department of the Treasury Internal Revenue Service		Name of partnership Light It Up, LLC		D Employer identification number 12-1234567	
A Principal business activity Retail		Number, street, and room or suite no. If a P.O. box, see instructions. 350 Broad Street		E Date business started 10/01/2015	
B Principal product or service product		City or town, state or province, country, and ZIP or foreign postal code Red Bank, NJ 07755		F Total assets (see instructions) \$ 45,206	
C Business code number 123456					
G Check applicable boxes: (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change (5) <input type="checkbox"/> Amended return H Check accounting method: (1) <input checked="" type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) _____ I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year _____ J Check if Schedules C and M-3 are attached _____ K Check if partnership: (1) <input type="checkbox"/> Aggregated activities for section 465 at-risk purposes (2) <input type="checkbox"/> Grouped activities for section 469 passive activity purposes Caution: Include only trade or business income and expenses on lines 1a through 22 below. See instructions for more information.					
Income	1a	Gross receipts or sales	1a	753,953	
	1b	Returns and allowances	1b		
	2	Cost of goods sold (attach Form 1125-A)	2	384,447	
	3	Gross profit. Subtract line 2 from line 1c	3	369,506	
	4	Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)	4		
	5	Net farm profit (loss) (attach Schedule F (Form 1040))	5		
	6	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)	6		
	7	Other income (loss) (attach statement)	7	1,485	
	8	Total income (loss). Combine lines 3 through 7	8	370,991	
	9	Salaries and wages (other than to partners) (less employment credits)	9	220,414	
	10	Guaranteed payments to partners	10		
	11	Repairs and maintenance	11	1,815	
	12	Bad debts	12		
	13	Rent	13	45,795	
	14	Taxes and licenses	14	18,780	
	Deductions (see instructions for limitations)	15	Interest (see instructions)	15	
16a		Depreciation (if required, attach Form 4562)	16a	2,407	
17		Depletion (Do not deduct oil and gas depletion.)	17		
18		Retirement plans, etc.	18	2,439	
19		Employee benefit programs	19		
20		Other deductions (attach statement)	20	Stmt #2 86,190	
21		Total deductions. Add the amounts shown in the far right column for lines 9 through 20	21	378,900	
22		Ordinary business income (loss). Subtract line 21 from line 8	22	-7,909	
Tax and Payment		23	Interest due under the look-back method—completed long-term contracts (attach Form 8697)	23	
		24	Interest due under the look-back method—income forecast method (attach Form 8866)	24	
	25	BBA AAR imputed underpayment (see instructions)	25		
	26	Other taxes (see instructions)	26		
	27	Total balance due. Add lines 23 through 26	27		
	28	Payment (see instructions)	28	0	
	29	Amount owed. If line 28 is smaller than line 27, enter amount owed	29		
	30	Overpayment. If line 28 is larger than line 27, enter overpayment	30	0	
	Sign Here Signature of partner or limited liability company member _____ Date _____ May the IRS discuss this return with the preparer shown below? See instructions. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				
	Paid Preparer Use Only Print/type preparer's name _____ Preparer's signature _____ Date _____ Firm's name Tommy's Tax Firm's EIN 22-1234567 Firm's address 120 Main Street, Hoboken, NJ 07030 Phone no. _____				

Section 8 – Form 1065

8	Form 1065 - Adjustments to Business Cash Flow		
	a. Ordinary (Income) Loss from Other Partnerships (Line 4)	+/-	0.00
	b. Nonrecurring Other (Income) or Loss (Lines 5, 6 & 7)	+/-	(1,485.00)
	c. Depreciation (Line 16c, including 8825 Line 14)	+	2,407.00
	d. Depletion (Line 17)	+	0.00
	e. Amortization/Casualty (Review Attachment Related to Line 20**)	+	
	f. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 16d***)	-	
	g. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 4b)	-	
	Subtotal	=	\$ 922.00
	Percent Ownership (From Schedule K-1)		%
	Total Form 1065	=	\$ 0.00
	Total Partnership Income		\$ 0.00

Form 1065		U.S. Return of Partnership Income		OMB No. 1545-0123
Department of the Treasury Internal Revenue Service		For calendar year 2020, or tax year beginning _____, 2020, ending _____, 20____		2020
Go to www.irs.gov/Form1065 for instructions and the latest information.				
A Principal business activity	Name of partnership	D Employer identification number		
Retail	Light It Up, LLC	12-1234567		
B Principal product or service	Number, street, and room or suite no. If a P.O. box, see instructions.	E Date business started		
product	350 Broad Street	10/01/2015		
C Business code number	City or town, state or province, country, and ZIP or foreign postal code	F Total assets (see instructions)		
	Red Bank, NJ 07755	\$ 45,206		
Q Check applicable boxes: (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change (5) <input type="checkbox"/> Amended return H Check accounting method: (1) <input checked="" type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) _____ I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year _____ J Check if Schedules C and M-3 are attached _____ K Check if partnership: (1) <input type="checkbox"/> Aggregated activities for section 465 at-risk purposes (2) <input type="checkbox"/> Grouped activities for section 469 passive activity purposes 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	753,953	
b Returns and allowances		1b		
c Balance. Subtract line 1b from line 1a		1c	753,953	
2 Cost of goods sold (attach Form 1125-A)		2	384,447	
3 Gross profit. Subtract line 2 from line 1c		3	369,506	
4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)		4		
5 Net farm profit (loss) (attach Schedule F (Form 1040))		5		
6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)		6		
7 Other income (loss) (attach statement)		7	1,485	
8 Total income (loss). Combine lines 3 through 7		8	370,991	
9 Salaries and wages (other than to partners) (less employment credits)		9	220,414	
10 Guaranteed payments to partners		10		
11 Repairs and maintenance		11	1,815	
12 Bad debts		12		
13 Rent		13	46,795	
14 Taxes and licenses		14	18,780	
15 Interest (see instructions)		15		
16a Depreciation (if required, attach Form 4562)		16a	2,407	
b Less depreciation reported on Form 1125-A and elsewhere on return		16b	2,407	
17 Depletion (Do not deduct oil and gas depletion.)		17		
18 Retirement plans, etc.		18	2,499	
19 Exclude these items:		19		
20 Other deductions (attach statement)		20	Stmt #2 86,190	
21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20		21	378,900	
22 Ordinary business income (loss). Subtract line 21 from line 8		22	-7,909	
23 Interest due under the look-back method—completed long-term contracts (attach Form 8697)		23		
24 Interest due under the look-back method—income forecast method (attach Form 8866)		24		
25 BBA AAR imputed underpayment (see instructions)		25		
26 Other taxes (see instructions)		26		
27 Total balance due. Add lines 23 through 26		27		
28 Payment (see instructions)		28	0	
29 Amount owed. If line 28 is smaller than line 27, enter amount owed		29		
30 Overpayment. If line 28 is larger than line 27, enter overpayment		30	0	
Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than partner or limited liability company member) is based on all information of which preparer has any knowledge. Signature of partner or limited liability company member _____ Date _____ May the IRS discuss this return with the preparer shown below? See instructions. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				
Paid Preparer Use Only		Print/Type preparer's name _____ Preparer's signature _____ Firm's name Tommy's Tax _____ Firm's address 120 Main Street, Hoboken, NJ 07718 _____ Check <input type="checkbox"/> if self-employed PTIN P12345678 Firm's EIN 22-1234567 Phone no. _____		

Section 8 – Form 1065

FORM 1065	OTHER DEDUCTIONS	STATEMENT 2
DESCRIPTION	AMOUNT	
ADVERTISING	11,946	
AUTOMOBILE	726	
BANK SERVICE CHARGES	4,799	
DELIVERY AND FREIGHT	1,169	
DUES AND SUBSCRIPTIONS	6,688	
INSURANCE	17,047	
MISCELLANEOUS	188	
OFFICE EXPENSE	11,000	
OUTSIDE SERVICES	308	
PERMITS AND FEES	4,795	
SECURITY	1,761	
TELEPHONE AND INTERNET	2,936	
TRAVEL	4,752	
UTILITIES	5,680	
PAYROLL PROCESSING FEES	3,594	
STORAGE EXPENSE	2,790	
WEBSITE	2,858	
ASSOCIATION FEES	3,153	
TOTAL TO FORM 1065, LINE 20	86,190	

8	Form 1065 - Adjustments to Business Cash Flow		
	a. Ordinary (Income) Loss from Other Partnerships (Line 4)	+/-	0.00
	b. Nonrecurring Other (Income) or Loss (Lines 5, 6 & 7)	+/-	(1,485.00)
	c. Depreciation (Line 16c, including 8825 Line 14)	+	2,407.00
	d. Depletion (Line 17)	+	0.00
	e. Amortization/Casualty (Review Attachment Related to Line 20**)	+	0.00
	f. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 16d***)	-	
	g. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 4b)	-	
	Subtotal	=	\$ 922.00
	Percent Ownership (From Schedule K-1)		%
	Total Form 1065	=	\$ 0.00
	Total Partnership Income		\$ 0.00

Section 8 – Form 1065

15	Accounts payable				
16	Mortgages, notes, bonds payable in less than 1 year				
17	Other current liabilities (attach statement)		Stmt #3 12,917		Stmt #3 16,172

NOTES

*Follow specific investor guidelines; Adjustments may not be required if there is evidence these roll over regularly, these are verified to be a line of credit or if the business has sufficient assets to cover the liability.

8	Form 1065 - Adjustments to Business Cash Flow		
	a. Ordinary (Income) Loss from Other Partnerships (Line 4)	+/-	0.00
	b. Nonrecurring Other (Income) or Loss (Lines 5, 6 & 7)	+/-	(1,485.00)
	c. Depreciation (Line 16c, including 8825 Line 14)	+	2,407.00
	d. Depletion (Line 17)	+	0.00
	e. Amortization/Casualty (Review Attachment Related to Line 20**)	+	0.00
	f. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 16d***)	-	0.00
	g. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 4b)	-	
	Subtotal	=	\$ 922.00
	Percent Ownership (From Schedule K-1)		%
	Total Form 1065	=	\$ 0.00
	Total Partnership Income		\$ 0.00

Section 8 – Form 1065

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return			
Note: The partnership may be required to file Schedule M-3. See instructions.			
1	Net income (loss) per books	-7,909	
2	Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize): _____		
3	Guaranteed payments (other than health insurance)		
4	Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16p (itemize):		
a	Depreciation \$ _____		
b	Travel and entertainment \$ _____		
5	Add lines 1 through 4	-7,909	
6	Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize):		
a	Tax-exempt interest \$ _____		
7	Deductions included on Schedule K, lines 1 through 13d, and 16p, not charged against book income this year (itemize):		
a	Depreciation \$ _____		
8	Add lines 6 and 7		
9	Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5		-7,909

8	Form 1065 - Adjustments to Business Cash Flow		
	a. Ordinary (Income) Loss from Other Partnerships (Line 4)	+/-	0.00
	b. Nonrecurring Other (Income) or Loss (Lines 5, 6 & 7)	+/-	(1,485.00)
	c. Depreciation (Line 16c, including 8825 Line 14)	+	2,407.00
	d. Depletion (Line 17)	+	0.00
	e. Amortization/Casualty (Review Attachment Related to Line 20**)	+	0.00
	f. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 16d***)	-	0.00
	g. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 4b)	-	0.00
	Subtotal	=	\$ 922.00
	Percent Ownership (From Schedule K-1)		%
	Total Form 1065	=	\$ 0.00
	Total Partnership Income		\$ 0.00

Partnership K-1

Schedule K-1 (Form 1065) 2020
 Department of the Treasury Internal Revenue Service
 For calendar year 2020, or tax year beginning / / 2020 ending / /

Partner's Share of Income, Deductions, Credits, etc. ▶ See separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
12-1234567

B Partnership's name, address, city, state, and ZIP code
Light It Up, LLC
350 Broad St
Red Bank, NJ 07755

C IRS Center where partnership filed return ▶ e file

D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)
XXX-XX-XXXX

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
Mary Homeowner
7 Galloping Hill Road, Colts Neck, NJ 07708

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H1 ☐ Domestic partner ☐ Foreign partner

H2 ☐ If the partner is a disregarded entity (DE), enter the partner's TIN _____ Name _____

I1 What type of entity is this partner? Individual

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	50.00000 %	50.00000 %
Loss	50.00000 %	50.00000 %
Capital	50.00000 %	50.00000 %

Check if decrease is due to sale or exchange of partnership interest ☐

K Partner's share of liabilities:

	Beginning	Ending
Nonrecourse	\$	\$
Qualified nonrecourse financing	\$	\$
Recourse	\$	\$

☐ Check this box if item K includes liability amounts from lower tier partnerships.

L Partner's Capital Account Analysis

Beginning capital account	\$ 54,191
Capital contributed during the year	\$
Current year net income (loss)	\$ -3,954
Other increase (decrease) (attach explanation)	\$
Withdrawals & distributions	\$ 1
Ending capital account	\$ 50,237

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No If "Yes," attach statement. See instructions.

N Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)

Beginning	\$
Ending	\$

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Line	Description	Amount	Code
1	Ordinary business income (loss)	-3,954	15
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		16
4a	Guaranteed payments for services		
4b	Guaranteed payments for capital		
4c	Total guaranteed payments		
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends		
6c	Dividend equivalents		17
7	Royalties		A
8	Net short-term capital gain (loss)		
9a	Net long-term capital gain (loss)		18
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)		
11	Other income (loss)		19
12	Section 179 deduction		
13	Other deductions		20
14	Self-employment earnings (loss)		
21	More than one activity for at-risk purposes*		
22	More than one activity for passive activity purposes*		


*See attached statement for additional information.

For IRS Use Only

OMB No. 1545-0123

For Paperwork Reduction Act Notice, see Instructions for Form 1065. www.irs.gov/Form1065 Cat. No. 11394R Schedule K-1 (Form 1065) 2020

Partnership 1065 Total Income

8	Form 1065 - Adjustments to Business Cash Flow		
	a. Ordinary (Income) Loss from Other Partnerships (<i>Line 4</i>)	+/-	0
	b. Nonrecurring Other (Income) or Loss (<i>Lines 5, 6 & 7</i>)	+/-	(1,485.00)
	c. Depreciation (<i>Line 16c, including 8825 Line 14</i>)	+	2,407.00
	d. Depletion (<i>Line 17</i>)	+	0.00
	e. Amortization/Casualty (<i>Review Attachment Related to Line 20**</i>)	+	0.00
	f. Mortgages or Notes Payable in Less than 1 Year (<i>Schedule L, Line 16d***</i>)	-	0.00
	g. Non-deductible Travel and Entertainment Expenses (<i>Schedule M-1, Line 4b</i>)	-	0.00
	Subtotal	=	\$ 922.00
	Percent Ownership (From Schedule K-1)		50.00 %
	Total Form 1065	=	\$ 461.00

Partnership 1065

Grand Total	\$64,107.00
Partner number)	12
Monthly Total	5,342.25

IRS Form 1065 - Partnership Income			2020
7	Schedule K-1 Form 1065 - Partner's Share of Income		
	a. Ordinary Income/Loss (Line 1)*	+/-	(3,954.00)
	b. Net Rental Real Estate; Other Net Income (Loss) (Lines 2, 3)*	+/-	0.00
	c. Guaranteed Payments to Partner (Line 4c)	+	0.00
8	Form 1065 - Adjustments to Business Cash Flow		
	a. Ordinary (Income) Loss from Other Partnerships (Line 4)	+/-	0
	b. Nonrecurring Other (Income) or Loss (Lines 5, 6 & 7)	+/-	(1,485.00)
	c. Depreciation (Line 16c, including 8825 Line 14)	+	2,407.00
	d. Depletion (Line 17)	+	0.00
	e. Amortization/Casualty (Review Attachment Related to Line 20**)	+	0.00
	f. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 16d***)	-	0.00
	g. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 4b)	-	0.00
	Subtotal	=	\$ 922.00
	Percent Ownership (From Schedule K-1)		50.00 %
	Total Form 1065	=	\$ 461.00
	Total Partnership Income		(\$ 3,493.00)

Form 1040 - Individual Income Tax Return			2020	2019
1	W-2 Income from Self-Employment	+	67,600.00	

From Part I We Had W-2 Wages Paid From The Business Included On Line 1 Of The Cash Flow Form; This Would Be Included In Our Total If We Have Documented And Verified The Viability Of The Business

1120S - S Corporation with K1

IRS Form 1120S - S Corporation Earnings			2020	2019
9	Schedule K-1 Form 1120S - Shareholder's Share of Income			
	a. Ordinary Income (Loss) (Line 1)*	+/-		
	b. Net Rental Real Estate; Other Net Rental Income (Loss) (Lines 2, 3)*	+/-		
10	Form 1120S - Adjustments to Business Cash Flow			
	a. Nonrecurring Other (Income) Loss (Lines 4, 5)	+/-		
	b. Depreciation (Line 14, including 8825 Line 14)	+		
	c. Depletion (Line 15)	+		
	d. Amortization/Casualty Loss (Review Attachment Related to Line 19**)	+		
	e. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 17d***)	-		
	f. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 3b)	-		
	Subtotal	=	\$ 0.00	\$ 0.00
	Percent Ownership (From Schedule K-1)		%	%
	Total Form 1120S	=	\$ 0.00	\$ 0.00
	Total S-Corp Income		\$ 0.00	\$ 0.00

Business Classifications

S Corporation

- Can be Owned by One Person
- “Managing Shareholder” Must Receive a Salary
- Business Income Reported on Form 1120S
- Income Reported on Form 1040's
 - Schedule E
 - Could also be W-2 wages or 1099 income
- All Shareholders of an S Corp are Issued K-1's
- K-1s are Attached to the S Corp Tax Return (IRS Form 1120S)

Advantages

- Taxed on Personal Basis
 - S Corp pays No Tax on Income
- Liability Limited to Amount Invested

Disadvantages

- Limited to 100 Shareholders

1120S S Corp

Line 21 Ordinary Income/Loss
\$ _____

K-1

%

Line 1 Ordinary Income/Loss
\$ _____

Schedule E page 2

Part II

Schedule 1

Line 5 Income/Loss Sch.E
Taxed at a personal rate
\$ _____

S Corps

Check for trends or changes

- Date Incorporated
- Gross receipts
- Cost of goods sold
- Gross profit
- Bottom line “Ordinary Income”
- Were W-2 wages paid to borrower?

Form **1120-S** U.S. Income Tax Return for an S Corporation OMB No. 1545-0123

Department of the Treasury Internal Revenue Service

Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.
Go to www.irs.gov/Form1120S for instructions and the latest information.

For calendar year 2020 or tax year beginning 2020, ending 2020

A S election effective date 01/01/14

B Business activity code number (see instructions) 123456

C Check if Sch. M-3 attached ☐

D Employer identification number 33-1234567

E Date incorporated 01/01/2014

F Total assets (see instructions) \$ 383,525

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☒ No If "Yes," attach Form 2553 if not already filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year 3

J Check if corporation: (1) ☐ Aggregated activities for section 465 at-risk purposes (2) ☐ Grouped activities for section 469 passive activity purposes

Caution: Include **only** trade or business income and expenses on lines 1a through 21. See the instructions for more information.

1a Gross receipts or sales 2,562,228

1b Returns and allowances

1c Balance. Subtract line 1b from line 1a 2,562,228

2 Cost of goods sold (attach Form 1125-A) 1,772,161

3 Gross profit. Subtract line 2 from line 1c 790,067

4 Net gain (loss) from Form 4797, line 17 (attach Form 4797)

5 Other income (loss) (see instructions—attach statement)

6 Total income (loss). Add lines 3 through 5 790,067

7 Compensation of officers (see instructions—attach Form 1125-E)

8 Salaries and wages (less employment credits) 468,388

9 Repairs and maintenance 6,912

10 Bad debts 1,838

11 Rents 26,400

12 Taxes and licenses 36,199

13 Interest (see instructions) 5,539

14 Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562) 9,061

15 Depletion (Do not deduct oil and gas depletion.)

16 Advertising 35,875

17 Pension, profit-sharing, etc., plans 8,946

18 Employee benefit programs 22,206

19 Other deductions (attach statement) Stmt #1 126,395

20 Total deductions. Add lines 7 through 19 747,759

21 Ordinary business income (loss). Subtract line 20 from line 6 42,308

22a Excess net passive income or LIFO recapture tax (see instructions)

22b Tax from Schedule D (Form 1120-S)

22c Add lines 22a and 22b (see instructions for additional taxes)

23a 2020 estimated tax payments and 2019 overpayment credited to 2020

23b Tax deposited with Form 7004

23c Credit for federal tax paid on fuels (attach Form 4136)

23d Reserved for future use

23e Add lines 23a through 23d

24 Estimated tax penalty (see instructions). Check if Form 2220 is attached ☐

25 Amount owed. If line 23e is smaller than the total of lines 22c and 24, enter amount owed

26 Overpayment. If line 23e is larger than the total of lines 22c and 24, enter amount overpaid

27 Enter amount from line 26: Credited to 2021 estimated tax Refunded

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer Date Title

May the IRS discuss this return with the preparer shown below? See instructions. ☒ Yes ☐ No

S Corps

Review 1125-E For Compensation Paid to Officers

- You can be an officer, but not an owner
- Not always required/attached to 1120s tax returns

Form **1125-E**
(Rev. October 2016)
Department of the Treasury
Internal Revenue Service

Compensation of Officers

► Attach to Form 1120, 1120-C, 1120-F, 1120-REIT, 1120-RIC, or 1120S.
► Information about Form 1125-E and its separate instructions is at www.irs.gov/form1125e.

OMB No. 1545-0123

Name _____ Employer identification number _____

Note: Complete Form 1125-E only if total receipts are \$500,000 or more. See instructions for definition of total receipts.

(a) Name of officer	(b) Social security number (see instructions)	(c) Percent of time devoted to business	Percent of stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
1 _____	_____	_____%	_____%	_____%	_____
_____	_____	_____%	_____%	_____%	_____
_____	_____	_____%	_____%	_____%	_____
_____	_____	_____%	_____%	_____%	_____

No Example in Case Study

1120S S Corp

Line 21 Ordinary Income/Loss
\$ _____

K-1

%

Line 1 Ordinary Income/Loss
\$ _____

Schedule E page 2

Part II

Schedule 1

Line 5 Income/Loss Sch.E
Taxed at a personal rate
\$ _____

S Corp K-1

1	Ordinary business income (loss)
	14,103

16	Items affecting shareholder basis
C	456

671120
OMB No. 1545-0123

Schedule K-1
(Form 1120-S)
Department of the Treasury
Internal Revenue Service

2020

For calendar year 2020, or tax year
beginning / / 2020 ending / /

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

Shareholder's Share of Income, Deductions Credits, etc. ▶ See separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
33-1234567

B Corporation's name, address, city, state, and ZIP code
Designing The Future, Inc
109 River Road
Red Bank, NJ 07755

Part II Information About the Shareholder

D Shareholder's identifying number
XXX-XX-XXXX

E Shareholder's name, address, city, state, and ZIP code
John Homeowner
7 Galloping Hill Road
Colts Neck, NJ 07708

F Current year allocation percentage . . . 33.33333 %

G Shareholder's number of shares
Beginning of tax year 33
End of tax year 33

H Loans from shareholder
Beginning of tax year \$ 10,366.6667
End of tax year \$ 20,103.6667

For IRS Use Only

1 Ordinary business income (loss) 14,103

2 Net rental real estate income (loss)

3 Other net rental income (loss)

4 Interest income

5a Ordinary dividends

5b Qualified dividends

6 Royalties

7 Net short-term capital gain (loss)

8a Net long-term capital gain (loss)

8b Collectible (28%) gain (loss)

8c Unrecaptured section 1250 gain

9 Net section 1231 gain (loss)

10 Other income (loss)

11 Section 179 deduction

12 Other deductions

13 Credits

14 Foreign transactions

15 Alternative minimum tax (AMT) items
A -98.7

16 Items affecting shareholder basis
C 456

17 Other information
A 2

18 ☐ More than one activity for at-risk purposes*

19 ☐ More than one activity for passive activity purposes*

Did John Get A Distribution?

Page 2 of K-1 and Page 3 of Form 1120S

16. Items affecting shareholder basis

- | | |
|---|------------------------------------|
| A Tax-exempt interest income | Form 1040 or 1040-SR, line 2a |
| B Other tax-exempt income | |
| C Nondeductible expenses | See the Shareholder's Instructions |
| D Distributions | |
| E Repayment of loans from shareholders | |

No Example in case study

Schedule K-1 (Form 1120-S) 2019 Page 2

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040 or 1040-SR. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

<p>1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:</p> <p>Report on</p> <p>Passive loss See the Shareholder's Instructions</p> <p>Passive income Schedule E, line 28, column (h)</p> <p>Nonpassive loss See the Shareholder's Instructions</p> <p>Nonpassive income Schedule E, line 28, column (k)</p> <p>2. Net rental real estate income (loss) See the Shareholder's Instructions</p> <p>3. Other net rental income (loss) See the Shareholder's Instructions</p> <p>Net income Schedule E, line 28, column (h)</p> <p>Net loss See the Shareholder's Instructions</p> <p>4. Interest income Form 1040 or 1040-SR, line 2b</p> <p>5a. Ordinary dividends Form 1040 or 1040-SR, line 3b</p> <p>5b. Qualified dividends Form 1040 or 1040-SR, line 3a</p> <p>6. Royalties Schedule E, line 4</p> <p>7. Net short-term capital gain (loss) Schedule D, line 5</p> <p>8a. Net long-term capital gain (loss) Schedule D, line 12</p> <p>8b. Collectibles (28%) gain (loss) 28% Rate Gain Worksheet, line 4 (Schedule D instructions)</p> <p>9. Net section 1231 gain (loss) See the Shareholder's Instructions</p> <p>10. Other income (loss) See the Shareholder's Instructions</p> <p>Code</p> <p>A Other portfolio income (loss) See the Shareholder's Instructions</p> <p>B Involuntary conversions See the Shareholder's Instructions</p> <p>C Sec. 1259 contracts & straddles Form 6781, line 1</p> <p>D Mining exploration costs recapture See Pub. 535</p> <p>E Reserved for future use</p> <p>F Section 965(a) inclusion</p> <p>G Income under subpart F (other than inclusions under sections 951A and 965)</p> <p>H Other income (loss) See the Shareholder's Instructions</p> <p>11. Section 179 deduction See the Shareholder's Instructions</p> <p>12. Other deductions See the Shareholder's Instructions</p> <p>A Cash contributions (80%)</p> <p>B Cash contributions (30%)</p> <p>C Noncash contributions (50%)</p> <p>D Noncash contributions (30%)</p> <p>E Capital gain property to a 50% organization (30%)</p> <p>F Capital gain property (20%)</p> <p>G Contributions (100%)</p> <p>H Investment interest expense Form 4952, line 1</p> <p>I Deductions—royalty income Schedule E, line 19</p> <p>J Section 58(e)(2) expenditures See the Shareholder's Instructions</p> <p>K Section 965(c) deduction See the Shareholder's Instructions</p> <p>L Deductions—portfolio (other) Schedule A, line 16</p> <p>M Preproductive period expenses See the Shareholder's Instructions</p> <p>N Commercial revitalization deduction from rental real estate activities See Form 8582 instructions</p> <p>O Reforestation expense deduction See the Shareholder's Instructions</p> <p>P through R Reserved for future use</p> <p>S Other deductions See the Shareholder's Instructions</p> <p>13. Credits See the Shareholder's Instructions</p> <p>A Low-income housing credit (section 42(i)(6)) from pre-2006 buildings</p> <p>B Low-income housing credit (other) from pre-2006 buildings</p> <p>C Low-income housing credit (section 42(i)(6)) from post-2007 buildings</p> <p>D Low-income housing credit (other) from post-2007 buildings</p> <p>E Qualified rehabilitation expenditures (rental real estate)</p> <p>F Other rental real estate credits</p> <p>G Other rental credits</p> <p>H Undistributed capital gains credit Schedule 3 (Form 1040 or 1040-SR), line 13, box a</p> <p>I Biofuel producer credit</p> <p>J Work opportunity credit</p> <p>K Disabled access credit</p> <p>L Empowerment zone employment credit</p> <p>M Credit for increasing research activities</p>	<p>Code</p> <p>N Credit for employer social security and Medicare taxes</p> <p>O Backup withholding</p> <p>P Other credits</p> <p>14. Foreign transactions See the Shareholder's Instructions</p> <p>A Name of country or U.S. possession</p> <p>B Gross income from all sources</p> <p>C Gross income sourced at shareholder level</p> <p>D Foreign gross income sourced at corporate level</p> <p>E Reserved for future use</p> <p>F Foreign branch category</p> <p>G Passive category</p> <p>H General category</p> <p>I Other</p> <p>J Deductions allocated and apportioned at shareholder level</p> <p>K Interest expense Form 1116, Part I</p> <p>L Other Form 1116, Part I</p> <p>M Deductions allocated and apportioned at corporate level to foreign source income</p> <p>N Reserved for future use</p> <p>O Foreign branch category</p> <p>P Passive category</p> <p>Q General category</p> <p>R Other</p> <p>Other information</p> <p>P Total foreign taxes paid Form 1116, Part II</p> <p>Q Total foreign taxes accrued Form 1116, Part II</p> <p>R Reduction in taxes available for credit</p> <p>S Foreign trading gross receipts Form 1116, line 12</p> <p>T Extraterritorial income exclusion Form 9873</p> <p>U Section 965 information See the Shareholder's Instructions</p> <p>V Other foreign transactions See the Shareholder's Instructions</p> <p>15. Alternative minimum tax (AMT) items</p> <p>A Post-1986 depreciation adjustment</p> <p>B Adjusted gain or loss</p> <p>C Depletion (other than oil & gas)</p> <p>D Oil, gas, & geothermal—gross income</p> <p>E Oil, gas, & geothermal—deductions</p> <p>F Other AMT items</p> <p>16. Items affecting shareholder basis Form 1040 or 1040-SR, line 2a</p> <p>A Tax-exempt interest income</p> <p>B Other tax-exempt income</p> <p>C Nondeductible expenses</p> <p>D Distributions</p> <p>E Repayment of loans from shareholders</p> <p>F Other items</p> <p>A Investment income Form 4952, line 4a</p> <p>B Investment expenses Form 4952, line 5</p> <p>C Qualified rehabilitation expenditures (other than rental real estate)</p> <p>D Basis of energy property</p> <p>E Recapture of low-income housing credit (section 42(i)(6)) Form 8611, line 8</p> <p>F Recapture of low-income housing credit (other)</p> <p>G Recapture of investment credit (other)</p> <p>H Recapture of other credits</p> <p>I Look-back interest—completed long-term contracts</p> <p>J Look-back interest—income forecast method</p> <p>K Dispositions of property with section 179 deductions</p> <p>L Recapture of section 179 deduction</p> <p>M through U See the Shareholder's Instructions</p> <p>V Section 198A information</p> <p>W through Z Reserved for future use</p> <p>AA Excess taxable income</p> <p>AB Excess business interest income</p> <p>AC Other information</p>
--	--

28

1120S S Corp

Line 21 Ordinary Income/Loss
\$ _____

K-1

%

Line 1 Ordinary Income/Loss
\$ _____

Schedule E page 2

Part II

Schedule 1

Line 5 Income/Loss Sch.E
Taxed at a personal rate
\$ _____

Schedule E Partnerships and S Corps

Schedule E (Form 1040) 2020

Attachment Sequence No. **13**

Page **2**

Name(s) shown on return. Do not enter name and social security number if shown on other side.

John & Mary Homeowner

Your social security number

XXX-XX-XXXX

Caution: The IRS compares amounts reported on your tax return with amounts shown on Schedule(s) K-1.

Part II **Income or Loss From Partnerships and S Corporations** — **Note:** If you report a loss, receive a distribution, dispose of stock, or receive a loan repayment from an S corporation, you **must** check the box in column (e) on line 28 and attach the required basis computation. If you report a loss from an at-risk activity for which **any** amount is **not** at risk, you **must** check the box in column (f) on line 28 and attach **Form 6198**. See instructions.

27 Are you reporting any loss not allowed in a prior year due to the at-risk or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? If you answered "Yes," see instructions before completing this section. ☐ Yes ☒ No

28	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if basis computation is required	(f) Check if any amount is not at risk
A	Light It Up, LLC	P	<input type="checkbox"/>	12-1234567	<input type="checkbox"/>	<input type="checkbox"/>
B	Designing the Future, Inc	S	<input type="checkbox"/>	33-1234567	<input type="checkbox"/>	<input type="checkbox"/>
C			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
D			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Passive Income and Loss

Nonpassive Income and Loss

	(g) Passive loss allowed (attach Form 8582 if required)	(h) Passive income from Schedule K-1	(i) Nonpassive loss allowed (see Schedule K-1)	(j) Section 179 expense deduction from Form 4562	(k) Nonpassive income from Schedule K-1
A			3,954.		
B				9,732.	14,103.
C					
D					

29a	Totals				14,103.
b	Totals		3,954.	9,732.	

30	Add columns (h) and (k) of line 29a.	30	14,103.
31	Add columns (g), (i), and (j) of line 29b.	31	(13,686.)
32	Total partnership and S corporation income or (loss). Combine lines 30 and 31	32	417.

1120S S Corp

Line 21 Ordinary Income/Loss
\$ _____

K-1

%

Line 1 Ordinary Income/Loss
\$ _____

Schedule E page 2

Part II

Schedule 1

Line 5 Income/Loss Sch.E
Taxed at a personal rate
\$ _____

Form 1040

Review for:

– Is there an Entry on Line 10a?

- Review Schedule 1

10 Adjustments to income:

a From Schedule 1, line 22

10a

4,741.

SCHEDULE 1
(Form 1040)
Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income
▶ Attach to Form 1040, 1040-SR, or 1040-NR.
▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074
2020
Adjusted Sequence No. 01

Name(s) shown on Form 1040, 1040-SR, or 1040-NR
John & Mary Homeowner

Your social security number
XXX-XX-XXXX

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	67,105.
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	-9,838.
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income. List type and amount ▶	8	
9	Combine lines 1 through 8. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	9	57,267.

Part II Adjustments to Income

10	Educator expenses	10	
11	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	11	
12	Health savings account deduction. Attach Form 8889	12	
13	Moving expenses for members of the Armed Forces. Attach Form 3903	13	
17	Penalty on early withdrawal of savings	17	
18a	Alimony paid	18a	
b	Recipient's SSN		
c	Date of original divorce or separation agreement (see instructions) ▶		
19	IRA deduction	19	
20	Student loan interest deduction	20	
21	Tuition and fees deduction. Attach Form 8917	21	
22	Add lines 10 through 21. These are your adjustments to income . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10a	22	4,741.

For Paperwork Reduction Act Notice, see your tax return instructions. BAA REV 02/15/21 TFW Schedule 1 (Form 1040) 2020

Form 1040 Department of the Treasury—Internal Revenue Service (99) **2020** 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 widow(er) (QW)
Check only one box.
If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW 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
Homeowner

Your social security number
XXX-XX-XXXX

If joint return, spouse's first name and middle initial
Mary

Last name
Homeowner

Spouse's social security number
XXX-XX-XXXX

Home address (list number and street). If you have a P.O. box, see instructions

Apt. no.

ZIP code
07708

Foreign postal code

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.
☐ You ☐ Spouse

2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? ☐ Yes ☒ No

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

Spouse: ☐ Were born before January 2, 1956 ☐ Are blind ☐ Was born before January 2, 1956 ☐ Is blind

Instructions:

First name	Last name	(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> If qualifies for (see instructions): 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"/>

Wages, salaries, tips, etc. Attach Form(s) W-2

1	63,400.
2a	
2b	1,568.
3a	
3b	
4a	
4b	
5a	
5b	
6a	
6b	
7	-3,000.
8	57,267.
9	119,235.

Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**

Adjustments to income

5 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E

5

-9,838.

Pages 2 & 4

Fannie Mae Has A Written Policy Mandating Distributions

Income from Partnerships, LLCs, Estates, and Trusts

Income from partnerships, LLCs, estates, or trusts can only be considered if the lender obtains documentation, such as the Schedule K-1, verifying that

- the income was actually distributed to the borrower, or
- the business has adequate liquidity to support the withdrawal of earnings. If the Schedule K-1 provides this confirmation, no further documentation of business liquidity is required.

<https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/Subpart-B3-Underwriting-Borrowers/>

Balance Sheet

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		42,256		39,590
2a	Trade notes and accounts receivable	129,383		261,900	
b	Less allowance for bad debts	()	129,383	()	261,900
3	Inventories		13,291		14,436
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach statement)		Stmt #3 3,066		9,413
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach statement)				
10a	Buildings and other depreciable assets	150,229		125,825	
b	Less accumulated depreciation	(79,462)	70,767	(67,639)	58,186
11a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	()		()	
14	Other assets (attach statement)				
15	Total assets		261,763		383,525
Liabilities and Shareholders' Equity					
16	Accounts payable		171,515		239,870
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach statement)		Stmt #4 239,783		276,142
19	Loans from shareholders		31,100		60,311
20	Mortgages, notes, bonds payable in 1 year or more		76,456		53,086
21	Other liabilities (attach statement)				
22	Capital stock				
23	Additional paid-in capital				
24	Retained earnings		-257,091		-245,884
25	Adjustments to shareholders' equity (attach statement)				
26	Less cost of treasury stock	()		()	
27	Total liabilities and shareholders' equity		261,763		383,525

Balance Sheet

Quick Ratio or Acid Test

Current Assets : (Cash #1 + Acct Receivable #2 + #4+ #5 +Other Current Assets #6)

Current Liabilities: (Acct Pay. #15 + MNB #16 + Other Current Liabilities #17)

Assets		(a)	(b)	(c)	(d)
1	Cash		42,256		39,590
2a	Trade notes and accounts receivable	129,383		261,900	
b	Less allowance for bad debts	()	129,383	()	261,900
3	Inventories		13,291		14,436
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach statement)		Stmt #3 3,066		9,413

16	Accounts payable		171,515		239,870
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach statement)		Stmt #4 239,783		276,142

Quick Ratio

Borrower(s) Name(s)	Loan Number
<input type="text"/>	<input type="text"/>
Property Address	
<input type="text"/>	



Calculator and Quick Reference Guide: Liquidity (Acid Test or Quick Ratio)

Please use the following calculator and quick reference guide to assist you in evaluating liquidity from business returns. It provides suggested guidance only and does not replace Lender, Investor or GSE instructions or applicable guidelines. Please note all lines referenced below are from the applicable business return's Schedule L. If a Partnership did not complete a Schedule L (check Form 1065, Schedule B, Question 4 to verify one was not required), you cannot calculate liquidity from the tax form.

Liquidity (Acid Test or Quick Ratio)		2020	2019
1	Cash (P/Tship, S-C and Corp: Line 1d)	\$ 39,590.00	
2	Tradenotes/Accounts Receivable Without Bad Debt (P/Tship, S-C and Corp: Line 2b[d])	\$ 261,900.00	
3	US Government Obligations and/or Tax-Exempt Securities (Lines 4 and 5)*		
4	Other Current Assets (Other Marketable Securities; P/Tship, S-C and Corp: Line 6d)*	\$ 9,413.00	
5	Accounts Payable (P/Tship: Line 15d, S-C or Corp: Line 16d)	\$ 239,870.00	
6	Mortgages, Notes or Bonds Payable in Less Than 1 Year (P/Tship: Line 16d, S-C or Corp: Line 17d)		
7	Other Current Liabilities (P/Tship: Line 17d, S-C or Corp: Line 18d)	\$ 276,142.00	
Acid Test Ratio		310,903.00	0.00
A result of one or greater is generally sufficient to confirm adequate business liquidity to support the withdrawal of earnings.		516,012.00	0.00
		0.603	

*Check your lender/investor policy on whether to include Government Obligations, Tax-Exempt Securities and/or Other Marketable Securities.

Click gray buttons to calculate result.
Please note: If Lines 5, 6 and 7 total zero, the calculator will show an error message, but the business is solvent.

S Corp K-1

Let's Put Numbers On Our Tool!

IRS Form 1120S - S Corporation Earnings		2020	
9	Schedule K-1 Form 1120S - Shareholder's Share of Income		
→	a. Ordinary Income (Loss) (Line 1)*	+/-	
	b. Net Rental Real Estate; Other Net Rental Income (Loss) (Lines 2, 3)*	+/-	

671120

OMB No. 1545-0123

☐ Final K-1 ☐ Amended K-1

Schedule K-1
(Form 1120-S)
Department of the Treasury
Internal Revenue Service

2020

For calendar year 2020, or tax year beginning / / 2020 ending / /

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectible (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative minimum tax (AMT) items
		A	-98.7
11	Section 179 deduction	16	Items affecting shareholder basis
	9,732	C	456
12	Other deductions		
A	283		
		17	Other information
		A	2
18	<input type="checkbox"/> More than one activity for at-risk purposes*		
19	<input type="checkbox"/> More than one activity for passive activity purposes*		
* See attached statement for additional information.			

For IRS U

For Paperwork Reduction Act Notice, see the Instructions for Form 1120-S. www.irs.gov/Form1120S Cat. No. 11520D Schedule K-1 (Form 1120-S) 2020

S Corp K-1

Let's Put Numbers On Our Tool!

2020
\$ 39,590.00
\$ 261,900.00
\$ 9,413.00
\$ 239,870.00
\$ 276,142.00
310,903.00
516,012.00
0.603

1	Ordinary business income (loss)	14,103
---	---------------------------------	--------

16	Items affecting shareholder basis	456
C		

Income from Partnerships, LLCs, Estates, and Trusts

Income from partnerships, LLCs, estates, or trusts can only be considered if the lender obtains documentation, such as the Schedule K-1, verifying that

- the income was actually distributed to the borrower, or
- the business has adequate liquidity to support the withdrawal of earnings. If the Schedule K-1 provides this confirmation, no further documentation of business liquidity is required.

671120

OMB No. 1545-0123

Schedule K-1
(Form 1120-S)
Department of the Treasury
Internal Revenue Service

2020

For calendar year 2020, or tax year beginning / / 2020 ending / /

☐ Final K-1 ☐ Amended K-1

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	14,103	13	Credits
2	Net rental real estate income (loss)			
3	Other net rental income (loss)			
4	Interest income			
5a	Ordinary dividends	2		
5b	Qualified dividends		14	Foreign transactions
6	Royalties			
7	Net short-term capital gain (loss)			
8a	Net long-term capital gain (loss)			
8b	Collectible (28%) gain (loss)			
8c	Unrecaptured section 1250 gain			
9	Net section 1231 gain (loss)			
10	Other income (loss)		15	Alternative minimum tax (AMT) items
			A	-98.7
11	Section 179 deduction	9,732	16	Items affecting shareholder basis
12	Other deductions	283	C	456
A				
			17	Other information
			A	2

Part I Information About the Corporation

A Corporation's employer identification number 33-1234567

B Corporation's name, address, city, state, and ZIP code
Designing The Future, Inc
109 River Road
Red Bank, NJ 07755

C IRS Center where corporation filed return
e-file

Part II Information About the Shareholder

D Shareholder's identifying number XXX-XX-XXXX

E Shareholder's name, address, city, state, and ZIP code
John Homeowner
7 Galloping Hill Road
Colts Neck, NJ 07708

F Current year allocation percentage . . . 33.33333 %

G Shareholder's number of shares
Beginning of tax year 33
End of tax year 33

H Loans from shareholder
Beginning of tax year \$ 10,366.6667
End of tax year \$ 20,103.6667

18 ☐ More than one activity for at-risk purposes*

19 ☐ More than one activity for passive activity purposes*

* See attached statement for additional information.

For Paperwork Reduction Act Notice, see the Instructions for Form 1120-S. www.irs.gov/Form1120S Cat. No. 11520D Schedule K-1 (Form 1120-S) 2020

S Corp K-1

Let's Put Numbers On Our Tool!

1	Ordinary business income (loss)	14,103
2	Net rental real estate income (loss)	
3	Other net rental income (loss)	

IRS Form 1120S - S Corporation Earnings			2020
9	Schedule K-1 Form 1120S - Shareholder's Share of Income		
	a. Ordinary Income (Loss) (Line 1)*	+/-	0.00
	b. Net Rental Real Estate; Other Net Rental Income (Loss) (Lines 2, 3)*	+/-	

671120
OMB No. 1545-0123

☐ Final K-1 ☐ Amended K-1

Schedule K-1
(Form 1120-S)
Department of the Treasury
Internal Revenue Service

2020

For calendar year 2020, or tax year
beginning / / 2020 ending / /

Shareholder's Share of Income, Deductions, Credits, etc.
▶ See separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
33-1234567

B Corporation's name, address, city, state, and ZIP code
Designing The Future, Inc
109 River Road
Red Bank, NJ 07755

C IRS Center where corporation filed return
e-file

Part II Information About the Shareholder

D Shareholder's identifying number
XXX-XX-XXXX

E Shareholder's name, address, city, state, and ZIP code
John Homeowner
7 Galloping Hill Road
Colts Neck, NJ 07708

F Current year allocation percentage 33.33333 %

G Shareholder's number of shares
Beginning of tax year 33
End of tax year 33

H Loans from shareholder
Beginning of tax year \$ 10,366.6667
End of tax year \$ 20,103.6667

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	14,103	13	Credits	
2	Net rental real estate income (loss)		14	Foreign transactions	
3	Other net rental income (loss)		15	Alternative minimum tax (AMT) items	-987
4	Interest income	2	16	Items affecting shareholder basis	456
5a	Ordinary dividends		17	Other information	2
5b	Qualified dividends				
6	Royalties				
7	Net short-term capital gain (loss)				
8a	Net long-term capital gain (loss)				
8b	Collectible (28%) gain (loss)				
8c	Unrecaptured section 1250 gain				
9	Net section 1231 gain (loss)				
10	Other income (loss)				
11	Section 179 deduction	9,732			
12	Other deductions	283			
18	<input type="checkbox"/> More than one activity for at-risk purposes*				
19	<input type="checkbox"/> More than one activity for passive activity purposes*				

* See attached statement for additional information.

For Paperwork Reduction Act Notice, see the Instructions for Form 1120-S. www.irs.gov/Form1120S Cat. No. 11520D Schedule K-1 (Form 1120-S) 2020

S Corp K-1

Let's Put Numbers On Our Tool!

671120

OMB No. 1545-0123

☐ Final K-1 ☐ Amended K-1

Schedule K-1
(Form 1120-S)
Department of the Treasury
Internal Revenue Service

2020

For calendar year 2020, or tax year
beginning / / 2020 ending / / 2020

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	14,103	13	Credits
2	Net rental real estate income (loss)			
3	Other net rental income (loss)			
4	Interest income			
5a	Ordinary dividends	2		
5b	Qualified dividends		14	Foreign transactions
6	Royalties			
7	Net short-term capital gain (loss)			
8a	Net long-term capital gain (loss)			
8b	Collectible (28%) gain (loss)			
8c	Unrecaptured section 1250 gain			

Part I Information About the Corporation

A Corporation's employer identification number
33-1234567

B Corporation's name, address, city, state, and ZIP code
Designing The Future, Inc
109 River Road
Red Bank, NJ 07755

C IRS Center where corporation filed return
e-file

Part II Information About the Shareholder

D Shareholder's identifying number
XXX-XX-XXXX

IRS Form 1120S - S Corporation Earnings

2020

9	Schedule K-1 Form 1120S - Shareholder's Share of Income	
a.	Ordinary Income (Loss) (Line 1)*	+/- 0.00
b.	Net Rental Real Estate; Other Net Rental Income (Loss) (Lines 2, 3)*	+/- 0.00

For IRS Use Only

17 Other information
A 2

18 ☐ More than one activity for at-risk purposes*

19 ☐ More than one activity for passive activity purposes*

* See attached statement for additional information.


For Paperwork Reduction Act Notice, see the Instructions for Form 1120-S. www.irs.gov/Form1120S Cat. No. 11520D Schedule K-1 (Form 1120-S) 2020

S Corporation Form 1120S

Form 1120-S		U.S. Income Tax Return for an S Corporation		OMB No. 1545-0123
Department of the Treasury Internal Revenue Service		<p>▶ Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.</p> <p>▶ Go to www.irs.gov/Form1120S for instructions and the latest information.</p>		2020
For calendar year 2020 or tax year beginning , 2020, ending , 20				
A S election effective date 01/01/14	TYPE OR PRINT	Name Designing The Future, Inc	D Employer identification number 33-1234567	
B Business activity code number (see instructions) 123456		Number, street, and room or suite no. If a P.O. box, see instructions. 109 River Road	E Date incorporated 01/01/2014	
		City or town, state or province, country, and ZIP or foreign postal code Red Bank, NJ 07755	F Total assets (see instructions) \$ 383,525	
C Check if Sch. M-3 attached <input type="checkbox"/>				
G Is the corporation electing to be an S corporation beginning with this tax year? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "Yes," attach Form 2553 if not already filed				
H Check if: (1) <input type="checkbox"/> Final return (2) <input type="checkbox"/> Name change (3) <input type="checkbox"/> Address change (4) <input type="checkbox"/> Amended return (5) <input type="checkbox"/> S election termination or revocation				
I Enter the number of shareholders who were shareholders during any part of the tax year 3				
J Check if corporation: (1) <input type="checkbox"/> Aggregated activities for section 465 at-risk purposes (2) <input type="checkbox"/> Grouped activities for section 469 passive activity purposes				
Caution: Include only trade or business income and expenses on lines 1a through 21. See the instructions for more information.				
Income	1a Gross receipts or sales	1a	2,562,228	
	b Returns and allowances	1b		
	c Balance. Subtract line 1b from line 1a	1c		2,562,228
	2 Cost of goods sold (attach Form 1125-A)	2		1,772,161
	3 Gross profit. Subtract line 2 from line 1c	3		790,067
	4 Net gain (loss) from Form 4797, line 17 (attach Form 4797)	4		
5 Other income (loss) (see instructions—attach statement)	5			
6 Total income (loss). Add lines 3 through 5	6			790,067
Compensation of officers (see instructions—attach Form 1125-E)		7		
Wages (less employment credits)		8		468,388
Maintenance		9		6,912
.		10		1,838
.		11		26,400
.		12		36,199
.		13		5,539
.		14		9,061
.		15		
.		16		35,875
.		17		8,946
.		18		22,206
.		19	Stmt #1	126,395
.		20		747,759
.		21		42,308

10	Form 1120S - Adjustments to Business Cash Flow		
	a. Nonrecurring Other (Income) Loss (Lines 4, 5)	+/-	0.00
	b. Depreciation (Line 14, including 8825 Line 14)	+	
	c. Depletion (Line 15)	+	
	d. Amortization/Casualty Loss (Review Attachment Related to Line 19**)	+	
	e. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 17d***)	-	
	f. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 3b)	-	
	Subtotal	=	\$ 0.00

S Corporation Form 1120S

10	Form 1120S - Adjustments to Business Cash Flow		
	a. Nonrecurring Other (Income) Loss (Lines 4, 5)	+/-	0.00
	b. Depreciation (Line 14, including 8825 Line 14)	+	9,061.00
	c. Depletion (Line 15)	+	
	d. Amortization/Casualty Loss (Review Attachment Related to Line 19**)	+	
	e. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 17d***)	-	
	f. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 3b)	-	
	Subtotal	=	\$ 9,061.00
	Percent Ownership (From Schedule K-1)		%
	Total Form 1120S	=	\$ 0.00

Form 1120-S		U.S. Income Tax Return for an S Corporation		OMB No. 1545-0123
Department of the Treasury Internal Revenue Service		<p>▶ Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.</p> <p>▶ Go to www.irs.gov/Form1120S for instructions and the latest information.</p>		2020
For calendar year 2020 or tax year beginning , 2020, ending , 20				
A S election effective date 01/01/14 B Business activity code number (see instructions) 123456		TYPE OR PRINT Name Designing The Future, Inc. Number, street, and room or suite no. If a P.O. box, see instructions. 109 River Road City or town, state or province, country, and ZIP or foreign postal code Red Bank, NJ 07755		D Employer identification number 33-1234567 E Date incorporated 01/01/2014 F Total assets (see instructions) \$ 383,525
If Sch. M-3 attached <input type="checkbox"/> the corporation electing to be an S corporation beginning with this tax year? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "Yes," attach Form 2553 if not already filed Check if: (1) <input type="checkbox"/> Final return (2) <input type="checkbox"/> Name change (3) <input type="checkbox"/> Address change (4) <input type="checkbox"/> Amended return (5) <input type="checkbox"/> S election termination or revocation Enter the number of shareholders who were shareholders during any part of the tax year 3 Check if corporation: (1) <input type="checkbox"/> Aggregated activities for section 465 at-risk purposes (2) <input type="checkbox"/> Grouped activities for section 469 passive activity purposes Include only trade or business income and expenses on lines 1a through 21. See the instructions for more information.				
1a Gross receipts or sales		1a	2,562,228	
b Returns and allowances		1b		
c Balance. Subtract line 1b from line 1a		1c		2,562,228
2 Cost of goods sold (attach Form 1125-A)		2		1,772,161
3 Gross profit. Subtract line 2 from line 1c		3		790,067
4 Net gain (loss) from Form 4797, line 17 (attach Form 4797)		4		
5 Other income (loss) (see instructions—attach statement)		5		
6 Total income (loss). Add lines 3 through 5		6		790,067
7 Compensation of officers (see instructions—attach Form 1125-E)		7		
8 Salaries and wages (less employment credits)		8		468,388
9 Repairs and maintenance		9		6,912
10 Bad debts		10		1,838
11 Rents		11		26,400
12 Taxes and licenses		12		36,199
13 Interest (see instructions)		13		5,539
14 Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562)		14		9,061
15 Depletion (Do not deduct oil and gas depletion.)		15		
16 Advertising		16		35,875
17 Pension, profit-sharing, etc., plans		17		8,946
18 Employee benefit programs		18		22,206
19 Other deductions (attach statement)		19	Stmt #1	126,395
20 Total deductions. Add lines 7 through 19		20		747,759
21 Ordinary business income (loss). Subtract line 20 from line 6		21		42,308

No Example

SEB 1084 Part II - Business Tax Returns

S Corporation Form 1120S

Form 1120-S		U.S. Income Tax Return for an S Corporation		OMB No. 1545-0123
Department of the Treasury Internal Revenue Service		<p>▶ Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.</p> <p>▶ Go to www.irs.gov/Form1120S for instructions and the latest information.</p>		
For calendar year 2020 or tax year beginning		, 2020, ending		, 20
A S election effective date	01/01/14	NAME	Designing The Future, Inc.	
B Business activity code number (see instructions)	123456	TYPE OR PRINT	Number, street, and room or suite no. If a P.O. box, see instructions.	
			109 River Road	
			City or town, state or province, country, and ZIP or foreign postal code	
			Red Bank, NJ 07755	
C Check if Sch. M-3 attached <input type="checkbox"/>		D Employer identification number	33-1234567	
		E Date incorporated	01/01/2014	
		F Total assets (see instructions)	\$ 383,525	
<p>G Is the corporation electing to be an S corporation beginning with this tax year? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "Yes," attach Form 2553 if not already filed</p> <p>H Check if: (1) <input type="checkbox"/> Final return (2) <input type="checkbox"/> Name change (3) <input type="checkbox"/> Address change (4) <input type="checkbox"/> Amended return (5) <input type="checkbox"/> S election termination or revocation</p> <p>I Enter the number of shareholders who were shareholders during any part of the tax year 3</p> <p>J Check if corporation: (1) <input type="checkbox"/> Aggregated activities for section 465 at-risk purposes (2) <input type="checkbox"/> Grouped activities for section 469 passive activity purposes</p> <p>Caution: Include only trade or business income and expenses on lines 1a through 21. See the instructions for more information.</p>				
Income	1a Gross receipts or sales	1a	2,562,228	
	b Returns and allowances	1b		
	c Balance. Subtract line 1b from line 1a	1c	2,562,228	
	2 Cost of goods sold (attach Form 1125-A)	2	1,772,161	
	3 Gross profit. Subtract line 2 from line 1c	3	790,067	
	4 Net gain (loss) from Form 4797, line 17 (attach Form 4797)	4		
5 Other income (loss) (see instructions—attach statement)	5			
6 Total income (loss). Add lines 3 through 5	6	790,067		
Deductions (see instructions for limitations)	7 Compensation of officers (see instructions—attach Form 1125-E)	7		
	8 Salaries and wages (less employment credits)	8	468,388	
	9 Repairs and maintenance	9	6,912	
	10 Bad debts	10	1,838	
	11 Rents	11	26,400	
	12 Taxes and licenses	12	36,199	
	13 Interest (see instructions)	13	5,539	
	14 Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562)	14	9,061	
	15 Depletion (Do not deduct oil and gas depletion.)	15		
	16 Advertising	16	35,875	
17 Pension, profit-sharing, etc., plans	17	8,946		
18 Employee benefit programs	18	22,206		
19 Other deductions (attach statement)	19	Stmt #1 126,395		
20 Total deductions. Add lines 7 through 19	20	747,759		
21 Ordinary business income (loss). Subtract line 20 from line 6	21	42,308		

10 Form 1120S - Adjustments to Business Cash Flow			
a. Nonrecurring Other (Income) Loss (Lines 4, 5)	+/-		0.00
b. Depreciation (Line 14, including 8825 Line 14)	+		9,061.00
c. Depletion (Line 15)	+		0.00
d. Amortization/Casualty Loss (Review Attachment Related to Line 19**)	+		
e. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 17d***)	-		
f. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 3b)	-		
Subtotal	=		\$ 9,061.00
Percent Ownership (From Schedule K-1)			%
Total Form 1120S	=		\$ 0.00


S Corporation Form 1120S

Form 1120-S		U.S. Income Tax Return for an S Corporation		OMB No. 1545-0123	
Department of the Treasury Internal Revenue Service		▶ Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation. ▶ Go to www.irs.gov/Form1120S for instructions and the latest information.		2020	
For calendar year 2020 or tax year beginning , 2020, ending , 20					
A S election effective date		TYPE OR PRINT	Name		D Employer identification number
01/01/14			Designing The Future, Inc.		33-1234567
B Business activity code number (see instructions)			Number, street, and room or suite no. If a P.O. box, see instructions.		E Date incorporated
123456		109 River Road		01/01/2014	
C Check if Sch. M-3 attached <input type="checkbox"/>		City or town, state or province, country, and ZIP or foreign postal code		F Total assets (see instructions)	
		Red Bank, NJ 07755		\$ 383,525	
G Is the corporation electing to be an S corporation beginning with this tax year? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "Yes," attach Form 2553 if not already filed					
H Check if: (1) <input type="checkbox"/> Final return (2) <input type="checkbox"/> Name change (3) <input type="checkbox"/> Address change (4) <input type="checkbox"/> Amended return (5) <input type="checkbox"/> S election termination or revocation					
I Enter the number of shareholders who were shareholders during any part of the tax year ▶ 3					
J Check if corporation: (1) <input type="checkbox"/> Aggregated activities for section 465 at-risk purposes (2) <input type="checkbox"/> Grouped activities for section 469 passive activity purposes					
Caution: Include only trade or business income and expenses on lines 1a through 21. See the instructions for more information.					
Income	1a Gross receipts or sales	1a	2,562,228		
	b Returns and allowances	1b			
	c Balance. Subtract line 1b from line 1a			1c	2,562,228
	2 Cost of goods sold (attach Form 1125-A)			2	1,772,161
	3 Gross profit. Subtract line 2 from line 1c			3	790,067
	4 Net gain (loss) from Form 4797, line 17 (attach Form 4797)			4	
Deductions (see instructions for limitations)	5 Other income (loss) (see instructions—attach statement)			5	
	6 Total income (loss). Add lines 3 through 5 ▶			6	790,067
	7 Compensation of officers (see instructions—attach Form 1125-E)			7	
	8 Salaries and wages (less employment credits)			8	468,388
	9 Repairs and maintenance			9	6,912
	10 Bad debts			10	1,838
	11 Rents			11	26,400
	12 Taxes and licenses			12	36,199
	13 Interest (see instructions)			13	5,539
	14 Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562)			14	9,061
	15 Depletion (Do not deduct oil and gas depletion.)			15	
	16 Advertising			16	35,875
	17 Pension, profit-sharing, etc., plans			17	8,946
	18 Employee benefit programs			18	22,206
	19 Other deductions (attach statement)			19	Stmt #1 126,395
20 Total deductions. Add lines 7 through 19 ▶			20	747,759	
21 Ordinary business income (loss). Subtract line 20 from line 6			21	42,308	

1120S Statement

FORM 1120S	OTHER DEDUCTIONS	STATEMENT 1
DESCRIPTION		AMOUNT
AUTO AND TRUCK EXPENSES		47,168
BANK SERVICE CHARGES		3,548
COMMUNICATION EXPENSE		12,615
COMPUTER SERVICES		2,194
DUES		2,295
INSURANCE		7,174
JOB MEETINGS		13,166
OFFICE SUPPLIES		15,043
PROFESSIONAL FEES		4,083
SERVER EXPENSE		2,374
SHOWROOM		2,827
SUPPLIES		1,645
TRAINING		1,420
UTILITIES		9,475
50% OF MEALS		1,368
TOTAL TO FORM 1120S, LINE 19		126,395

S Corporation Form 1120S

10	Form 1120S - Adjustments to Business Cash Flow		
	a. Nonrecurring Other (Income) Loss (Lines 4, 5)	+/-	0.00
	b. Depreciation (Line 14, including 8825 Line 14)	+	9,061.00
	c. Depletion (Line 15)	+	0.00
	d. Amortization/Casualty Loss (Review Attachment Related to Line 19**)	+	0.00
	e. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 17d***)	-	
	f. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 3b)	-	
	Subtotal	=	\$ 9,061.00
	Percent Ownership (From Schedule K-1)		%
	Total Form 1120S	=	\$ 0.00

S Corporation Form 1120S

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		42,256		39,590
2a	Trade notes and accounts receivable	129,383		261,900	
b	Less allowance for bad debts	()	129,383	()	261,900
3	Inventories		13,291		14,436
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach statement)		Stmt #3 3,066		9,413
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach statement)				
10a	Buildings and other depreciable assets	150,229		125,825	
b	Less accumulated depreciation	(79,462)	70,767	(67,639)	58,186
11a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	()		()	
14	Other assets (attach statement)				
15	Total assets		261,763		383,525
Liabilities and Shareholders' Equity					
16	Accounts payable		171,515		239,870
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach statement)		Stmt #4 239,783		276,142
19	Loans from shareholders		31,100		60,311
20	Mortgages, notes, bonds payable in 1 year or more		76,456		53,086
21	Other liabilities (attach statement)				
22	Capital stock				
23	Additional paid-in capital				
24	Retained earnings		-257,091		-245,884
25	Adjustments to shareholders' equity (attach statement)				
26	Less cost of treasury stock		()		()
27	Total liabilities and shareholders' equity		261,763		383,525

Form 1120-S (2020)

S Corporation Form 1120S

10	Form 1120S - Adjustments to Business Cash Flow		
	a. Nonrecurring Other (Income) Loss (Lines 4, 5)	+/-	0.00
	b. Depreciation (Line 14, including 8825 Line 14)	+	9,061.00
	c. Depletion (Line 15)	+	0.00
	d. Amortization/Casualty Loss (Review Attachment Related to Line 19**)	+	0.00
	e. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 17d***)	-	0.00
	f. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 3b)	-	
	Subtotal	=	\$ 9,061.00
	Percent Ownership (From Schedule K-1)		%
	Total Form 1120S	=	\$ 0.00

Form 1120-S (2020)

Page 5

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return				
Note: The corporation may be required to file Schedule M-3. See instructions.				
1	Net income (loss) per books	15,846	5	Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):
2	Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize) Stmt #5	9,027	a	Tax-exempt interest \$
3	Expenses recorded on books this year not included on Schedule K, lines 1 through 12 and 14p (itemize):		6	Deductions included on Schedule K, lines 1 through 12 and 14p, not charged against book income this year (itemize):
a	Depreciation \$		a	Depreciation \$ 13,972
b	Travel and entertainment \$ 1,367	1,367	7	Add lines 5 and 6
4	Add lines 1 through 3	26,240	8	Income (loss) (Schedule K, line 18). Subtract line 7 from line 4
				12,268

S Corporation Form 1120S

10	Form 1120S - Adjustments to Business Cash Flow		
	a. Nonrecurring Other (Income) Loss (Lines 4, 5)	+/-	0.00
	b. Depreciation (Line 14, including 8825 Line 14)	+	9,061.00
	c. Depletion (Line 15)	+	0.00
	d. Amortization/Casualty Loss (Review Attachment Related to Line 19**)	+	0.00
	e. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 17d***)	-	0.00
	f. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 3b)	-	1,367.00
	Subtotal	=	\$ 7,694.00
	Percent Ownership (From Schedule K-1)		%
	Total Form 1120S	=	\$ 0.00

671120
OMB No. 1545-0123

Schedule K-1 (Form 1120-S) 2020
Department of the Treasury
Internal Revenue Service

For calendar year 2020, or tax year beginning / / 2020 ending / /

Shareholder's Share of Income, Deductions, Credits, etc. ▶ See separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number 33-1234567

B Corporation's name, address, city, state, and ZIP code
Designing The Future, Inc.
109 River Road
Red Bank, NJ 07755

C IRS Center where corporation filed return e-file

Part II Information About the Shareholder

D Shareholder's identifying number XXX-XX-XXXX

E Shareholder's name, address, city, state, and ZIP code
John Homeowner
7 Galloping Hill Road
Colts Neck, NJ 07708

F Current year allocation percentage 33.33333 %

G Shareholder's number of shares
Beginning of tax year 33
End of tax year 33

H Loans from shareholder
Beginning of tax year \$ 10,366.6667
End of tax year \$ 20,103.6667

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

1 Ordinary business income (loss) 14,103

2 Net rental real estate income (loss)

3 Other net rental income (loss)

4 Interest income

5a Ordinary dividends 2

5b Qualified dividends

6 Royalties

7 Net short-term capital gain (loss)

8a Net long-term capital gain (loss)

8b Collectibles (28%) gain (loss)

8c Unrecaptured section 1250 gain

9 Net section 1231 gain (loss)

10 Other income (loss)

11 Section 179 deduction 9,732

12 Other deductions 283

13 Credits

14 Foreign transactions

15 Alternative minimum tax (AMT) items A -987

16 Items affecting shareholder basis C 456

17 Other information A 2

18 ☐ More than one activity for at-risk purposes*

19 ☐ More than one activity for passive activity purposes*

* See attached statement for additional information.

For Paperwork Reduction Act Notice, see the Instructions for Form 1120-S. www.irs.gov/form1120S Cat. No. 1152003 Schedule K-1 (Form 1120-S) 2020

S Corporation Form 1120S

10	Form 1120S - Adjustments to Business Cash Flow		
	a. Nonrecurring Other (Income) Loss (<i>Lines 4, 5</i>)	+/-	0.00
	b. Depreciation (<i>Line 14, including 8825 Line 14</i>)	+	9,061.00
	c. Depletion (<i>Line 15</i>)	+	0.00
	d. Amortization/Casualty Loss (<i>Review Attachment Related to Line 19**</i>)	+	0.00
	e. Mortgages or Notes Payable in Less than 1 Year (<i>Schedule L, Line 17d***</i>)	-	0.00
	f. Non-deductible Travel and Entertainment Expenses (<i>Schedule M-1, Line 3b</i>)	-	1,367.00
	Subtotal	=	\$ 7,694.00
	Percent Ownership (From Schedule K-1)		33.33 %
	Total Form 1120S	=	\$ 2,564.41

Genworth Underwriting Guidelines



800 444.5664 |  | 

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 Current Ratio - Liquidity Calculator (2019-2020) Calculate working capital liquidity against current liabilities. <small>UPDATED</small>	 Quick Ratio - Liquidity Calculator (2019-2020) Calculate an organization's liquidity against current liabilities. <small>UPDATED</small>	 Fannie Mae Rental Guide (Calculator 1037) Use this worksheet to calculate qualifying rental income for Fannie Mae Form 1037 (Principal Residence, 2- to 4-unit Property).
 Fannie Mae Rental Guide Calculator (1038)	 Fannie Mae Rental Guide (Calculator 1039) Calculate qualifying rental income for Fannie Mae Form 1039 (Business Rental Income from Investment Property).	 Fannie Mae Form 1088 Cheat Sheet Use this quick reference guide for Fannie Mae's Comparative Analysis Form (Form 1088).
 Fannie Mae Comparative Analysis Form 1088 Calculate increases/decreases in gross income, expenses and taxable income.	 Income Calculation Worksheet Use this form to calculate income. <small>UPDATED</small>	 P&L Calculator Created as result of changes made by the GSEs to adapt to the COVID-19 pandemic.
 Business Stability and Income Worksheet (2021) Created as result of changes made by the GSEs to adapt to the COVID-19 pandemic. <small>UPDATED</small>		

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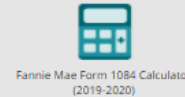
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