

SELF-EMPLOYED INCOME CALCULATIONS

How mortgage lenders evaluate income for loan qualifying purposes.

1

SOLE PROPRIETOR
Schedule C of Personal Tax Return

Start at Line 31 of tax form (Net Profit/Loss)

2

PARTNERSHIP
IRS Form 1065

Do you have Deductions?

NO

YES

Add back:
- Depreciation
- Depletion
- Amortization/Casualty Loss and Expense for Business Use of Home

3

S-CORPORATION
IRS Form 1120s

Start at K-1
Ordinary Business Income/Loss, Other Net Rental Income, Net Rental Real Estate, & Guaranteed Payments

4

C-CORPORATION
IRS Form 1120

Are you 100% owner?

NO

YES

Use W-2 only

Start at Line 28-31 of tax form
Taxable income - Total tax
(Net Profit/Loss)

NO

Do you have Deductions?

YES

Add back:
- Depreciation
- Depletion
- Amortization/Casualty Loss

*The one item that must be deducted is Mortgage/Notes Payable less than one year

Do you have Deductions?

NO

YES