Case Study #1

Case Study #1

Bill & Mary are very excited to be buying their first house. They come to you as a referral from a broker who has worked with you in the past and you did such a great job she is sending another client to you. Bill is the Athletic Director at a local college where he started 3 years ago and loves his job, which is why they have decided to settle down in this area and no longer commute over an hour just because their parents want them to stay close to them. Mary also has been working in this area for 1.5 years and prior to her current job did some part time work while she was looking for about 8 months, she is also at the local college as an administrator in the financial aid department. Their parents aren't thrilled with the move which takes them an hour away but are supportive and willing to help them with whatever they need.

Here is their financial information:

Purchase Price: $270,000
Loan Amount: $243,000

Principal, Interest, Taxes and Insurance payment on new home $1,658.36

If Private Mortgage Insurance is needed that monthly payment is $85.42

All other monthly payments $47.75

Closing Costs $4,000

Income: Derived from current paystubs
Bill $7,500
Mary $2,000

Credit Scores:
Bill 802
Mary 797

Liquid Assets $22,000

Does the credit score meet the standard requirement?
Could this be considered a Qualified Mortgage?
Does this loan require Private Mortgage Insurance?
There are other things to consider in this case study so pay attention to the synopsis and all the numbers that have been given on this page, each one has a reason for being there

Case Study #2

Case Study #2

Jim & Kelly are looking to buy a new primary residence in a quieter part of town. Their kids are grown and they have no use for all the square footage in their current home which they own. They have found a condo in town and are excited about moving there, it is right near restaurants, theatres and shops which they love going to. Jim is a Computer Engineer who has been in the business for 20 years however did just switch employers a little less than a year ago that has more bonus potential but a lower base salary, he has historically received bonus payouts but they have varied quite substantially over the past two years. Kelly is self-employed and works as an interior designer with a lot of real estate brokers you know to stage homes for sale and has been doing it for 7 years.

Here is their financial information:

Purchase Price: $725,000
Loan Amount: $455,000

Principal, Interest, Taxes and Insurance payment on new home $3,675.91

If Private Mortgage Insurance is needed that monthly payment is $157.62

All other monthly payments $1,109

Closing Costs $6,000

Income: Derived from current paystubs
Jim $10,400
Kelly $-500

Credit Scores:
Jim 705
Kelly 739

Liquid Assets $1,589,331

Does the credit score meet the standard requirement?
Could this be considered a Qualified Mortgage?
If it doesn't meet Qualified Mortgage Standards do you still do this loan?
Does this loan require Private Mortgage Insurance?
There are other things to consider in this case study so pay attention to the synopsis and all the numbers that have been given on this page, each one has a reason for being there

Condo Exercise

Condominium Exercise

Condominium Project Questionnaire – Full Form

Instructions

Lender: Complete the first table below and enter the date on which the form should be returned to you.

Homeowners' Association (HOA) or Management Company: This form has been sent to you on behalf of an individual seeking mortgage financing to purchase or refinance a unit in this project. The mortgage lender needs this information to determine the eligibility of the project for mortgage financing purposes. Complete and return this form by _____ (*enter date*) to the lender listed below. Questions about this form should be directed to the lender contact.

Lender Name	Big Rob's	**Lender Phone Number**	(603) 433-9600
Contact Name	Rob	**Lender Fax Number**	(603) 433-9600
Lender Address	143 Daniel St. Portsmouth, NH 03801	**Lender Email Address**	rob@bigrobs.com

I: Basic Project Information

1	Project Legal Name	XYZ Condominiums
2	Project Physical Address	1 Main St., Portsmouth, NH 03801
3	HOA Management Address	PO Box 9, Portsmouth, NH 03801
4	HOA Name *(if different from Project Legal Name)*	Zebra Condominiums
5	HOA Tax ID #	12-3456789
6	HOA Management Company Tax ID #	34-5678912
7	Name of Master or Umbrella Association *(if applicable)*	Zebra Condominiums
8	Does the project contain any of the following *(check all that apply)*:	
a	☐	Hotel/motel/resort activities, mandatory or voluntary rental- pooling arrangements, or other restrictions on the unit owner's ability to occupy the unit
b	☐	Deed or resale restrictions
c	☐	Manufactured homes
d	☐	Mandatory fee-based memberships for use of project amenities or services
e	☐	Non-incidental income from business operations
f	☐	Supportive or continuing care for seniors or for residents with disabilities

Provide additional detail here, if applicable (*optional*):

N/A

II: Project Completion Information

1. Is the project 100% complete, including all construction or renovation of units, common elements, and shared amenities for all project phases? ☒ Yes ☐ No If No, complete the table below:

		Yes	No
a	Is the project subject to additional phasing or annexation?	☐	☒
b	Is the project legally phased?	☒	☐
c	How many phases have been completed?	2	
d	How many total phases are legally planned for the project?	2	
e	How many total units are planned for the project?	38	
f	Are all planned amenities and common facilities fully complete?	☒	☐

2. Has the developer transferred control of the HOA to the unit owners?

☒ Yes, date transferred: 2002 ☐ No, estimated date the transfer will occur:

III: Newly Converted or Rehabilitated Project Information

1. Is the project a conversion within the past 3 years of an existing structure that was used as an apartment, hotel/resort, retail or professional business, industrial or for other non-residential use? If Yes, complete the table below: No

		Yes	No
a	In what year was the property built? _____		
b	In what year was the property converted? _____		
c	Was the conversion a full gut rehabilitation of the existing structure(s), including replacement of all major mechanical components?	☐	☐
d	Does the report from the licensed engineer indicate that the project is structurally sound, and that the condition and remaining useful life of the project's major components are sufficient?	☐	☐
e	Are all repairs affecting safety, soundness, and structural integrity complete?	☐	☐
f	Are replacement reserves allocated for all capital improvements?	☐	☐
g	Are the project's reserves sufficient to fund the improvements?	☐	☐

IV: Financial Information

1. How many unit owners are 60 or more days delinquent on common expense assessments? ∅

2. In the event a lender acquires a unit due to foreclosure or a deed-in-lieu of foreclosure, is the mortgagee responsible for paying delinquent common expense assessments? ☒ Yes ☐ No

If Yes, for how long is the mortgagee responsible for paying common expense assessments? (*select one*)

☐ 1 to 6 months ☐ 7 to 12 months ☒ more than 12 months

3. Is the HOA involved in any active or pending litigation? ☐ Yes ☒ No

If Yes, attach documentation regarding the litigation from the attorney or the HOA. Provide the attorney's name and contact information:

Name: Phone:

V: Ownership & Other Information

1. Complete the following information concerning ownership of units:

	Entire Project	Subject Legal Phase (in which the unit is located) If Applicable
Total number of units	38	
Total number of units sold and closed	38	
Total number of units under bona-fide sales contracts	∅	
Total number of units sold and closed or under contract to owner-occupants	38	
Total number of units sold and closed or under contract to second home owners	∅	
Total number of units sold and closed or under contract to investor owners	∅	
Total number of units being rented by developer, sponsor, or converter	∅	
Total number of units owned by the HOA	∅	

2. Complete the following table if more than one unit is owned by the same individual or entity.

Individual / Entity Name	Developer or Sponsor (Yes or No)	Number of Units Owned	Percentage Owned of Total Project Units	Number Leased at Market Rent	Number Leased under Rent Control
N/A	☐ Yes ☐ No		%		
	☐ Yes ☐ No		%		
	☐ Yes ☐ No		%		
	☐ Yes ☐ No		%		

3. Do the unit owners have sole ownership interest in and the right to use the project amenities and common areas?
☒ Yes ☐ No

If No, explain who has ownership interest in and rights to use the project amenities and common areas:

4. Are any units in the project used for commercial or non-residential purposes? ☐ Yes ☒ No

If Yes, complete the following table:

Type of Commercial or Non-Residential Use	Name of Owner or Tenant	Number of Units	Square Footage	% Square Footage of Total Project Square Footage
				%
				%
				%
				%

5. What is the total square footage of commercial space in the building that is separate from the residential HOA? Include above and below grade space used for commercial purposes, such as public parking facilities, retail space, apartments, commercial offices, and so on.

Total square footage of commercial space ∅

VI: Insurance Information & Financial Controls

1. Are units or common elements located in a flood zone? ☐ Yes ☒ No
   If Yes, flood coverage is in force equaling (***select only one option below***):
   - ☐ 100% replacement cost
   - ☐ maximum coverage per condominium available under the National Flood Insurance Program
   - ☐ some other amount (*enter amount here*) $_____

2. Check all of the following that apply regarding HOA financial accounts:
   - ☒ HOA maintains separate accounts for operating and reserve funds.
   - ☒ Appropriate access controls are in place for each account.
   - ☒ The bank sends copies of monthly bank statements directly to the HOA.
   - ☐ Two members of the HOA Board of Directors are required to sign any check written on the reserve account.
   - ☐ The Management Company maintains separate records and bank accounts for each HOA that uses its services.
   - ☐ The Management Company does not have the authority to draw checks on, or transfer funds from, the reserve account of the HOA.

3. Supply the information requested below. Do NOT enter "contact agent."

Type of Insurance	Carrier/Agent Name	Carrier/Agent Phone Number	Policy Number
Hazard	State Farm	Sally Struthas (603) 123-4567	99-BT-6605-2
Liability			
Fidelity			
Flood			

VII: Contact Information

Name of Preparer	Dennis Menace
Title of Preparer	Treasurer
Preparer's Company Name	N/A
Preparer's Phone	(603) 234-5678
Preparer's Email	dennis_menace@gmail.com
Preparer's Company Address	N/A
Date Completed	10/16/17

Condominium Project Questionnaire – Full Form

Instructions

Lender: Complete the first table below and enter the date on which the form should be returned to you.

Homeowners' Association (HOA) or Management Company: This form has been sent to you on behalf of an individual seeking mortgage financing to purchase or refinance a unit in this project. The mortgage lender needs this information to determine the eligibility of the project for mortgage financing purposes. Complete and return this form by _____ (*enter date*) to the lender listed below. Questions about this form should be directed to the lender contact.

Lender Name	Big Rob's	**Lender Phone Number**	(603) 433-9600
Contact Name	Rob	**Lender Fax Number**	(603) 433-9600
Lender Address	143 Daniel St. Portsmouth, NH 03801	**Lender Email Address**	rob@bigrobs.com

I: Basic Project Information

1	Project Legal Name	ABC Condominiums
2	Project Physical Address	2 Main St., Portsmouth, NH 03801
3	HOA Management Address	PO Box 7, Portsmouth, NH 03801
4	HOA Name *(if different from Project Legal Name)*	Tiger Condos
5	HOA Tax ID #	12-3456789
6	HOA Management Company Tax ID #	34-5678912
7	Name of Master or Umbrella Association *(if applicable)*	Tiger Condos
8	Does the project contain any of the following *(check all that apply)*:	
a	☐	Hotel/motel/resort activities, mandatory or voluntary rental- pooling arrangements, or other restrictions on the unit owner's ability to occupy the unit
b	☐	Deed or resale restrictions
c	☐	Manufactured homes
d	☐	Mandatory fee-based memberships for use of project amenities or services
e	☐	Non-incidental income from business operations
f	☐	Supportive or continuing care for seniors or for residents with disabilities

Provide additional detail here, if applicable (*optional*):

II: Project Completion Information

1. Is the project 100% complete, including all construction or renovation of units, common elements, and shared amenities for all project phases? ☑ Yes ☐ No If No, complete the table below:

		Yes	No
a	Is the project subject to additional phasing or annexation?	☐	☑
b	Is the project legally phased?	☑	☐
c	How many phases have been completed?	1	
d	How many total phases are legally planned for the project?	1	
e	How many total units are planned for the project?	17	
f	Are all planned amenities and common facilities fully complete?	☑	☐

2. Has the developer transferred control of the HOA to the unit owners?

☑ Yes, date transferred: 2006 ☐ No, estimated date the transfer will occur:

III: Newly Converted or Rehabilitated Project Information

1. Is the project a conversion within the past 3 years of an existing structure that was used as an apartment, hotel/resort, retail or professional business, industrial or for other non-residential use? If Yes, complete the table below:

		Yes	No
a	In what year was the property built? _____		
b	In what year was the property converted? _____		
c	Was the conversion a full gut rehabilitation of the existing structure(s), including replacement of all major mechanical components?	☐	☐
d	Does the report from the licensed engineer indicate that the project is structurally sound, and that the condition and remaining useful life of the project's major components are sufficient?	☐	☐
e	Are all repairs affecting safety, soundness, and structural integrity complete?	☐	☐
f	Are replacement reserves allocated for all capital improvements?	☐	☐
g	Are the project's reserves sufficient to fund the improvements?	☐	☐

IV: Financial Information

1. How many unit owners are 60 or more days delinquent on common expense assessments? 0

2. In the event a lender acquires a unit due to foreclosure or a deed-in-lieu of foreclosure, is the mortgagee responsible for paying delinquent common expense assessments? ☐ Yes ☑ No

If Yes, for how long is the mortgagee responsible for paying common expense assessments? (*select one*)

☐ 1 to 6 months ☐ 7 to 12 months ☐ more than 12 months

3. Is the HOA involved in any active or pending litigation? ☐ Yes ☑ No

If Yes, attach documentation regarding the litigation from the attorney or the HOA. Provide the attorney's name and contact information:

Name: Phone:

V: Ownership & Other Information

1. Complete the following information concerning ownership of units:

	Entire Project	Subject Legal Phase (in which the unit is located) If Applicable
Total number of units	17	
Total number of units sold and closed	17	
Total number of units under bona-fide sales contracts	0	
Total number of units sold and closed or under contract to owner-occupants	11	
Total number of units sold and closed or under contract to second home owners	0	
Total number of units sold and closed or under contract to investor owners	6	
Total number of units being rented by developer, sponsor, or converter	0	
Total number of units owned by the HOA	0	

2. Complete the following table if more than one unit is owned by the same individual or entity.

Individual / Entity Name	Developer or Sponsor (Yes or No)	Number of Units Owned	Percentage Owned of Total Project Units	Number Leased at Market Rent	Number Leased under Rent Control
Richie Danforth	☐ Yes ☑ No	2	7.38 %		
Jimmy Dean	☐ Yes ☑ No	3	11.27 %		
Brutus Real Estate	☐ Yes ☑ No	2	7.45 %		
	☐ Yes ☐ No		%		

3. Do the unit owners have sole ownership interest in and the right to use the project amenities and common areas?
☑ Yes ☐ No

If No, explain who has ownership interest in and rights to use the project amenities and common areas:

4. Are any units in the project used for commercial or non-residential purposes? ☑ Yes ☐ No

If Yes, complete the following table:

Type of Commercial or Non-Residential Use	Name of Owner or Tenant	Number of Units	Square Footage	% Square Footage of Total Project Square Footage
Office Space	Jimmy Dean	3	2970	11.27 %
Office Space	Brutus Real Estate	2	1047	7.45 %
~~Bubbles~~ Salon	Bubble Pops	1	710	3.75 %
Office Space	Benny McGee	1	890	3.75 %

5. What is the total square footage of commercial space in the building that is separate from the residential HOA? Include above and below grade space used for commercial purposes, such as public parking facilities, retail space, apartments, commercial offices, and so on.

Total square footage of commercial space

VI: Insurance Information & Financial Controls

1. Are units or common elements located in a flood zone? ☐ Yes ☑ No
   If Yes, flood coverage is in force equaling (***select only one option below***):
   - ☐ 100% replacement cost
   - ☐ maximum coverage per condominium available under the National Flood Insurance Program
   - ☐ some other amount (*enter amount here*) $_____

2. Check all of the following that apply regarding HOA financial accounts:
   - ☑ HOA maintains separate accounts for operating and reserve funds.
   - ☑ Appropriate access controls are in place for each account.
   - ☑ The bank sends copies of monthly bank statements directly to the HOA.
   - ☐ Two members of the HOA Board of Directors are required to sign any check written on the reserve account.
   - ☑ The Management Company maintains separate records and bank accounts for each HOA that uses its services.
   - ☑ The Management Company does not have the authority to draw checks on, or transfer funds from, the reserve account of the HOA.

3. Supply the information requested below. Do NOT enter "contact agent."

Type of Insurance	Carrier/Agent Name	Carrier/Agent Phone Number	Policy Number
Hazard	Bumpy Insurance	(603) 567-9875	876543211
Liability			
Fidelity			
Flood			

VII: Contact Information

Name of Preparer	Ellen DeGeneres
Title of Preparer	Property Manager
Preparer's Company Name	EDG Management
Preparer's Phone	(603) 503-7612
Preparer's Email	ellend@edgmanagement.com
Preparer's Company Address	5 Main St, Portsmouth, NH 03801
Date Completed	10/16/17

Investment Property Exercise

Investment Property Exercise

Form 1040 — U.S. Individual Income Tax Return 2016

Department of the Treasury—Internal Revenue Service (99) | OMB No. 1545-0074 | IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2016, or other tax year beginning , 2016, ending , 20 | See separate instructions.

Your first name and initial: Roger	Last name: Monroe
If a joint return, spouse's first name and initial: Mary	Last name: Monroe
Home address (number and street). If you have a P.O. box, see instructions.: 1 Main Street	Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).: Portsmouth, NH 03801	
Foreign country name	Foreign province/state/county / Foreign postal code

Your social security number: 1 2 3 4 5 6 7 8 9

Spouse's social security number: 9 8 7 6 5 4 3 2 1

▲ Make sure the SSN(s) above and on line 6c are correct.

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

Filing Status

Check only one box.

1 ☐ Single
2 ☑ Married filing jointly (even if only one had income)
3 ☐ Married filing separately. Enter spouse's SSN above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child

Exemptions

6a ☑ **Yourself.** If someone can claim you as a dependent, **do not** check box 6a
b ☑ **Spouse**

c **Dependents:**

(1) First name / Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if child under age 17 qualifying for child tax credit (see instructions)
Bradley Monroe	6 5 4 9 8 7 3 2 1	Son	☑
			☐
			☐
			☐

If more than four dependents, see instructions and check here ▶ ☐

d Total number of exemptions claimed

Boxes checked on 6a and 6b	2
No. of children on 6c who: • lived with you	1
• did not live with you due to divorce or separation (see instructions)	0
Dependents on 6c not entered above	0
Add numbers on lines above ▶	3

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a W-2, see instructions.

7	Wages, salaries, tips, etc. Attach Form(s) W-2		7	280000 00
8a	**Taxable** interest. Attach Schedule B if required		8a	50
b	**Tax-exempt** interest. **Do not** include on line 8a	8b		
9a	Ordinary dividends. Attach Schedule B if required		9a	
b	Qualified dividends	9b		
10	Taxable refunds, credits, or offsets of state and local income taxes		10	9570 00
11	Alimony received		11	
12	Business income or (loss). Attach Schedule C or C-EZ		12	
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐		13	49464 00
14	Other gains or (losses). Attach Form 4797		14	
15a	IRA distributions 15a	b Taxable amount	15b	
16a	Pensions and annuities 16a	b Taxable amount	16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17	-10000 00
18	Farm income or (loss). Attach Schedule F		18	
19	Unemployment compensation		19	
20a	Social security benefits 20a	b Taxable amount	20b	
21	Other income. List type and amount		21	
22	Combine the amounts in the far right column for lines 7 through 21. This is your **total income** ▶		22	329084 00

Adjusted Gross Income

23	Educator expenses	23	
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24	
25	Health savings account deduction. Attach Form 8889	25	
26	Moving expenses. Attach Form 3903	26	
27	Deductible part of self-employment tax. Attach Schedule SE	27	
28	Self-employed SEP, SIMPLE, and qualified plans	28	
29	Self-employed health insurance deduction	29	
30	Penalty on early withdrawal of savings	30	
31a	Alimony paid b Recipient's SSN ▶	31a	
32	IRA deduction	32	
33	Student loan interest deduction	33	
34	Tuition and fees. Attach Form 8917	34	
35	Domestic production activities deduction. Attach Form 8903	35	
36	Add lines 23 through 35	36	
37	Subtract line 36 from line 22. This is your **adjusted gross income** ▶	37	329,084

Tax and Credits

38	Amount from line 37 (adjusted gross income)			38	
39a	Check if: ☐ **You** were born before January 2, 1952, ☐ Blind. ☐ **Spouse** was born before January 2, 1952, ☐ Blind. **Total boxes checked** ▶ 39a				
b	If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ 39b ☐				
40	**Itemized deductions** (from Schedule A) **or** your **standard deduction** (see left margin)			40	
41	Subtract line 40 from line 38			41	
42	**Exemptions.** If line 38 is $155,650 or less, multiply $4,050 by the number on line 6d. Otherwise, see instructions			42	
43	**Taxable income.** Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-			43	
44	**Tax** (see instructions). Check if any from: a ☐ Form(s) 8814 b ☐ Form 4972 c ☐			44	
45	**Alternative minimum tax** (see instructions). Attach Form 6251			45	
46	Excess advance premium tax credit repayment. Attach Form 8962			46	
47	Add lines 44, 45, and 46 ▶			47	
48	Foreign tax credit. Attach Form 1116 if required	48			
49	Credit for child and dependent care expenses. Attach Form 2441	49			
50	Education credits from Form 8863, line 19	50			
51	**Retirement savings contributions credit. Attach Form 8880**	51			
52	**Child tax credit. Attach Schedule 8812, if required**	52			
53	Residential energy credits. Attach Form 5695	53			
54	Other credits from Form: a ☐ 3800 b ☐ 8801 c ☐	54			
55	Add lines 48 through 54. These are your **total credits**			55	
56	Subtract line 55 from line 47. If line 55 is more than line 47, enter -0- ▶			56	

Standard Deduction for—

- People who check any box on line 39a or 39b **or** who can be claimed as a dependent, see instructions.
- All others:

Single or Married filing separately, $6,300

Married filing jointly or Qualifying widow(er), $12,600

Head of household, $9,300

Other Taxes

57	Self-employment tax. Attach Schedule SE	57	
58	Unreported social security and Medicare tax from Form: a ☐ 4137 b ☐ 8919	58	
59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	59	
60a	Household employment taxes from Schedule H	60a	
b	First-time homebuyer credit repayment. Attach Form 5405 if required	60b	
61	Health care: individual responsibility (see instructions) Full-year coverage ☐	61	
62	Taxes from: a ☐ Form 8959 b ☐ Form 8960 c ☐ Instructions; enter code(s)	62	
63	Add lines 56 through 62. This is your **total tax** ▶	63	

Payments

If you have a qualifying child, attach Schedule EIC.

64	Federal income tax withheld from Forms W-2 and 1099	64			
65	2016 estimated tax payments and amount applied from 2015 return	65			
66a	**Earned income credit (EIC)**	66a			
b	Nontaxable combat pay election	66b			
67	Additional child tax credit. Attach Schedule 8812	67			
68	American opportunity credit from Form 8863, line 8	68			
69	Net premium tax credit. Attach Form 8962	69			
70	Amount paid with request for extension to file	70			
71	Excess social security and tier 1 RRTA tax withheld	71			
72	Credit for federal tax on fuels. Attach Form 4136	72			
73	Credits from Form: a ☐ 2439 b ☐ Reserved c ☐ 8885 d ☐	73			
74	Add lines 64, 65, 66a, and 67 through 73. These are your **total payments** ▶			74	

Refund

75	If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you **overpaid**		75
76a	Amount of line 75 you want **refunded to you.** If Form 8888 is attached, check here ▶ ☐		76a
b	Routing number ▶ c Type: ☐ Checking ☐ Savings		
d	Account number		
77	Amount of line 75 you want **applied to your 2017 estimated tax** ▶	77	

Direct deposit? See instructions.

Amount You Owe

78	**Amount you owe.** Subtract line 74 from line 63. For details on how to pay, see instructions ▶		78
79	Estimated tax penalty (see instructions)	79	

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? ☐ **Yes.** Complete below ☐ **No**

Designee's name ▶ Phone no. ▶ Personal identification number (PIN) ▶

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instructions. Keep a copy for your records.

Your signature	Date	Your occupation	Daytime phone number
Spouse's signature. If a joint return, **both** must sign.	Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	

SCHEDULE E (Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Supplemental Income and Loss

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

▶ Attach to Form 1040, 1040NR, or Form 1041.

▶ Information about Schedule E and its separate instructions is at *www.irs.gov/schedulee*.

OMB No. 1545-0074

2016

Attachment Sequence No. **13**

Name(s) shown on return

Your social security number

Part I **Income or Loss From Rental Real Estate and Royalties** **Note:** If you are in the business of renting personal property, use **Schedule C** or **C-EZ** (see instructions). If you are an individual, report farm rental income or loss from **Form 4835** on page 2, line 40.

A Did you make any payments in 2016 that would require you to file Form(s) 1099? (see instructions) ☐ Yes ☐ No

B If "Yes," did you or will you file required Forms 1099? ☐ Yes ☐ No

1a	Physical address of each property (street, city, state, ZIP code)
A	16 Main Boulevard, Portsmouth, NH 03801
B	17 Main Boulevard, Portsmouth, NH 03801
C	18 Main Boulevard, Portsmouth, NH 03801

1b	Type of Property (from list below)	2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the **QJV** box only if you meet the requirements to file as a qualified joint venture. See instructions.		Fair Rental Days	Personal Use Days	QJV
A	1		A	365		☐
B	1		B	365		☐
C	1		C	365		☐

Type of Property:

1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental
2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe)

Income:	Properties:		A	B	C
3	Rents received	3	30000	19200	32000
4	Royalties received	4			
Expenses:					
5	Advertising	5			
6	Auto and travel (see instructions)	6			
7	Cleaning and maintenance	7			1400
8	Commissions	8			
9	Insurance	9	2170	320	2587
10	Legal and other professional fees	10	500	500	
11	Management fees	11			
12	Mortgage interest paid to banks, etc. (see instructions)	12	9907	6338	10840
13	Other interest	13			
14	Repairs	14			
15	Supplies	15			
16	Taxes	16	4884	3773	6028
17	Utilities	17			
18	Depreciation expense or depletion	18	5143	6019	27577
19	Other (list) ▶ See Attached Statement	19	69	3034	
20	Total expenses. Add lines 5 through 19	20	22673	19944	52432
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file **Form 6198**	21	7327	-744	-20432
22	Deductible rental real estate loss after limitation, if any, on **Form 8582** (see instructions)	22	(10790)	(1042)	(4059)

23a	Total of all amounts reported on line 3 for all rental properties	23a	101200	
b	Total of all amounts reported on line 4 for all royalty properties	23b	0	
c	Total of all amounts reported on line 12 for all properties	23c	27085	
d	Total of all amounts reported on line 18 for all properties	23d	45406	
e	Total of all amounts reported on line 20 for all properties	23e	106485	

24	**Income.** Add positive amounts shown on line 21. **Do not** include any losses	24	15891
25	**Losses.** Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25	(15891)
26	**Total rental real estate and royalty income or (loss).** Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26	0

SCHEDULE E (Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Supplemental Income and Loss

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

▶ Attach to Form 1040, 1040NR, or Form 1041.

▶ Information about Schedule E and its separate instructions is at *www.irs.gov/schedulee*.

OMB No. 1545-0074

2016

Attachment Sequence No. 13

Name(s) shown on return

Your social security number

Part I **Income or Loss From Rental Real Estate and Royalties** **Note:** If you are in the business of renting personal property, use **Schedule C** or **C-EZ** (see instructions). If you are an individual, report farm rental income or loss from **Form 4835** on page 2, line 40.

A Did you make any payments in 2016 that would require you to file Form(s) 1099? (see instructions) ☐ Yes ☐ No

B If "Yes," did you or will you file required Forms 1099? ☐ Yes ☐ No

1a	Physical address of each property (street, city, state, ZIP code)
A	19 Main Boulevard, Portsmouth, NH 03801
B	
C	

1b	Type of Property (from list below)
A	1
B	
C	

2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the **QJV** box only if you meet the requirements to file as a qualified joint venture. See instructions.

	Fair Rental Days	Personal Use Days	QJV
A	365		☐
B			☐
C			☐

Type of Property:

1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental
2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe)

Income: / Expenses:		Properties: A	B	C
3 Rents received	3	20000		
4 Royalties received	4			
5 Advertising	5			
6 Auto and travel (see instructions)	6			
7 Cleaning and maintenance	7			
8 Commissions	8			
9 Insurance	9	1200		
10 Legal and other professional fees	10			
11 Management fees	11			
12 Mortgage interest paid to banks, etc. (see instructions)	12			
13 Other interest	13			
14 Repairs	14	1600		
15 Supplies	15			
16 Taxes	16	1969		
17 Utilities	17			
18 Depreciation expense or depletion	18	6667		
19 Other (list) ▶	19			
20 Total expenses. Add lines 5 through 19	20	11436		
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file **Form 6198**	21	8564		
22 Deductible rental real estate loss after limitation, if any, on **Form 8582** (see instructions)	22	( )	( )	( )

23a	Total of all amounts reported on line 3 for all rental properties	23a		
b	Total of all amounts reported on line 4 for all royalty properties	23b		
c	Total of all amounts reported on line 12 for all properties	23c		
d	Total of all amounts reported on line 18 for all properties	23d		
e	Total of all amounts reported on line 20 for all properties	23e		

24	**Income.** Add positive amounts shown on line 21. **Do not** include any losses	24	0
25	**Losses.** Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25	(0)
26	**Total rental real estate and royalty income or (loss).** Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26	0

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

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 from an at-risk activity for which **any** amount is **not** at risk, you **must** check the box in column **(e)** 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, excess farm loss, 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 any amount is not at risk
A	Crazy Town Party Store	S	☐	74-5623147	☐
B			☐		☐
C			☐		☐
D			☐		☐

	Passive Income and Loss		Nonpassive Income and Loss		
	(f) Passive loss allowed (attach Form 8582 if required)	(g) Passive income from Schedule K-1	(h) Nonpassive loss from Schedule K-1	(i) Section 179 expense deduction from Form 4562	(j) Nonpassive income from Schedule K-1
A			10000		
B					
C					
D					
29a Totals					
b Totals					

30	Add columns (g) and (j) of line 29a	30	
31	Add columns (f), (h), and (i) of line 29b	31	(10000)
32	**Total partnership and S corporation income or (loss).** Combine lines 30 and 31. Enter the result here and include in the total on line 41 below	32	-10000

Part III Income or Loss From Estates and Trusts

33	(a) Name	(b) Employer identification number
A		
B		

	Passive Income and Loss		Nonpassive Income and Loss	
	(c) Passive deduction or loss allowed (attach Form 8582 if required)	(d) Passive income from Schedule K-1	(e) Deduction or loss from Schedule K-1	(f) Other income from Schedule K-1
A				
B				
34a Totals				
b Totals				

35	Add columns (d) and (f) of line 34a	35	
36	Add columns (c) and (e) of line 34b	36	( )
37	**Total estate and trust income or (loss).** Combine lines 35 and 36. Enter the result here and include in the total on line 41 below	37	0

Part IV Income or Loss From Real Estate Mortgage Investment Conduits (REMICs)—Residual Holder

38	(a) Name	(b) Employer identification number	(c) Excess inclusion from Schedules Q, line 2c (see instructions)	(d) Taxable income (net loss) from Schedules Q, line 1b	(e) Income from Schedules Q, line 3b

39	Combine columns (d) and (e) only. Enter the result here and include in the total on line 41 below	39	0

Part V Summary

40	Net farm rental income or (loss) from **Form 4835.** Also, complete line 42 below	40	
41	**Total income or (loss).** Combine lines 26, 32, 37, 39, and 40. Enter the result here and on Form 1040, line 17, or Form 1040NR, line 18 ▶	41	-10000
42	**Reconciliation of farming and fishing income.** Enter your **gross** farming and fishing income reported on Form 4835, line 7; Schedule K-1 (Form 1065), box 14, code B; Schedule K-1 (Form 1120S), box 17, code V; and Schedule K-1 (Form 1041), box 14, code F (see instructions)	42	
43	**Reconciliation for real estate professionals.** If you were a real estate professional (see instructions), enter the net income or (loss) you reported anywhere on Form 1040 or Form 1040NR from all rental real estate activities in which you materially participated under the passive activity loss rules	43	

Self Employed Borrower Exercise #1

Self Employed Borrower Exercise 1

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Profit or Loss From Business
(Sole Proprietorship)

▶ Information about Schedule C and its separate instructions is at *www.irs.gov/schedulec.*
▶ Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.

OMB No. 1545-0074

2016

Attachment Sequence No. **09**

Name of proprietor	Social security number (SSN)
Bunny Hathaway	748596123

A Principal business or profession, including product or service (see instructions): Realtor

B Enter code from instructions ▶ 5 3 1 2 1 0

C Business name. If no separate business name, leave blank.: Bunny Hathaway Real Estate

D Employer ID number (EIN), (see instr.)

E Business address (including suite or room no.) ▶ 99 Maine Street
City, town or post office, state, and ZIP code: Portsmouth, NH 03801

F Accounting method: (1) ☑ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶

G Did you "materially participate" in the operation of this business during 2016? If "No," see instructions for limit on losses . ☑ Yes ☐ No

H If you started or acquired this business during 2016, check here . . . ▶ ☐

I Did you make any payments in 2016 that would require you to file Form(s) 1099? (see instructions) . ☑ Yes ☐ No

J If "Yes," did you or will you file required Forms 1099? . ☑ Yes ☐ No

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked ▶ ☐	1	1028779
2	Returns and allowances	2	9658
3	Subtract line 2 from line 1	3	1019121
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	1019121
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6 ▶	7	1019121

Part II Expenses. Enter expenses for business use of your home only on line 30.

8	Advertising	8	23932	18	Office expense (see instructions)	18	1318
9	Car and truck expenses (see instructions)	9	24091	19	Pension and profit-sharing plans	19	
10	Commissions and fees	10	25	20	Rent or lease (see instructions):		
11	Contract labor (see instructions)	11	49970	a	Vehicles, machinery, and equipment	20a	
12	Depletion	12		b	Other business property	20b	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	52651	21	Repairs and maintenance	21	
14	Employee benefit programs (other than on line 19)	14		22	Supplies (not included in Part III)	22	620
15	Insurance (other than health)	15	11463	23	Taxes and licenses	23	4650
16	Interest:			24	Travel, meals, and entertainment:		
a	Mortgage (paid to banks, etc.)	16a		a	Travel	24a	57146
b	Other	16b	12956	b	Deductible meals and entertainment (see instructions)	24b	25637
17	Legal and professional services	17	525	25	Utilities	25	3147
				26	Wages (less employment credits)	26	
				27a	Other expenses (from line 48)	27a	8673
				b	**Reserved for future use**	27b	

28	**Total expenses** before expenses for business use of home. Add lines 8 through 27a ▶	28	276804
29	Tentative profit or (loss). Subtract line 28 from line 7	29	742317
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). **Simplified method filers only:** enter the total square footage of: (a) your home: 3258 and (b) the part of your home used for business: 270. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30	1350
31	**Net profit or (loss).** Subtract line 30 from line 29. • If a profit, enter on both **Form 1040, line 12** (or **Form 1040NR, line 13**) and on **Schedule SE, line 2.** (If you checked the box on line 1, see instructions). Estates and trusts, enter on **Form 1041, line 3.** • If a loss, you **must** go to line 32.	31	740967
32	If you have a loss, check the box that describes your investment in this activity (see instructions). • If you checked 32a, enter the loss on both **Form 1040, line 12,** (or **Form 1040NR, line 13**) and on **Schedule SE, line 2.** (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on **Form 1041, line 3.** • If you checked 32b, you **must** attach **Form 6198.** Your loss may be limited.	32a ☐ All investment is at risk. 32b ☐ Some investment is not at risk.	

Part III Cost of Goods Sold (see instructions)

33 Method(s) used to value closing inventory: a ☐ Cost b ☐ Lower of cost or market c ☐ Other (attach explanation)

34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation ☐ Yes ☐ No

35	Inventory at beginning of year. If different from last year's closing inventory, attach explanation	35	
36	Purchases less cost of items withdrawn for personal use	36	
37	Cost of labor. Do not include any amounts paid to yourself	37	
38	Materials and supplies	38	
39	Other costs	39	
40	Add lines 35 through 39	40	
41	Inventory at end of year	41	
42	**Cost of goods sold.** Subtract line 41 from line 40. Enter the result here and on line 4	42	0

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month, day, year) ▶ / /

44 Of the total number of miles you drove your vehicle during 2016, enter the number of miles you used your vehicle for:

a Business 0 b Commuting (see instructions) 0 c Other 0

45 Was your vehicle available for personal use during off-duty hours? ☐ Yes ☐ No

46 Do you (or your spouse) have another vehicle available for personal use? ☐ Yes ☐ No

47a Do you have evidence to support your deduction? ☐ Yes ☐ No

b If "Yes," is the evidence written? ☐ Yes ☐ No

Part V Other Expenses. List below business expenses not included on lines 8–26 or line 30.

Dues & Subscriptions		1353
Misc		7320
48 **Total other expenses.** Enter here and on line 27a	48	8673

Self Employed Borrower Exercise #2

Self Employed Borrower Exercise 2

Form **1065**
Department of the Treasury
Internal Revenue Service

U.S. Return of Partnership Income

For calendar year 2016, or tax year beginning _____, 2016, ending _____, 20_____.
▶ Information about Form 1065 and its separate instructions is at *www.irs.gov/form1065.*

OMB No. 1545-0123
2016

A Principal business activity: Fitness Center	Name of partnership: Fitness For U & I, LLC	D Employer identification number: 112457896
B Principal product or service: Fitness Center	Type or Print — Number, street, and room or suite no. If a P.O. box, see the instructions.	E Date business started: 10/16/1998
C Business code number: 713900	City or town, state or province, country, and ZIP or foreign postal code	F Total assets (see the instructions): $ 1,464,972

G Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return
(6) ☐ Technical termination - also check (1) or (2)

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 ☐

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

Income	1a	Gross receipts or sales	1a	2282499		
	b	Returns and allowances	1b			
	c	Balance. Subtract line 1b from line 1a			1c	2282499
	2	Cost of goods sold (attach Form 1125-A)			2	
	3	Gross profit. Subtract line 2 from line 1c			3	2282499
	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	
	8	**Total income (loss).** Combine lines 3 through 7			8	2282499
Deductions (see the instructions for limitations)	9	Salaries and wages (other than to partners) (less employment credits)			9	328439
	10	Guaranteed payments to partners			10	
	11	Repairs and maintenance			11	27448
	12	Bad debts			12	
	13	Rent			13	255860
	14	Taxes and licenses			14	104327
	15	Interest			15	38578
	16a	Depreciation (if required, attach Form 4562)	16a	171552		
	b	Less depreciation reported on Form 1125-A and elsewhere on return	16b		16c	171552
	17	Depletion **(Do not deduct oil and gas depletion.)**			17	
	18	Retirement plans, etc.			18	
	19	Employee benefit programs			19	6675
	20	Other deductions (attach statement)			20	931504
	21	**Total deductions.** Add the amounts shown in the far right column for lines 9 through 20			21	1864383
	22	**Ordinary business income (loss).** Subtract line 21 from line 8			22	418116

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 general partner or limited liability company member manager) is based on all information of which preparer has any knowledge.

▶ _____ Signature of general partner or limited liability company member manager ▶ _____ 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	Check ☐ if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	

Analysis of Net Income (Loss)

1	Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16l					1	
2	Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt Organization	(vi) Nominee/Other
a	General partners		208398				
b	Limited partners			208399			

Schedule L Balance Sheets per Books

	Assets	Beginning of tax year (a)	Beginning of tax year (b)	End of tax year (c)	End of tax year (d)
1	Cash		43344		87379
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities				
6	Other current assets (attach statement)				9331
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	1197689		1305831	
b	Less accumulated depreciation	833489	364200	692319	613512
10a	Depletable assets				
b	Less accumulated depletion				
11	Land (net of any amortization)				
12a	Intangible assets (amortizable only)			10000	
b	Less accumulated amortization			3250	6750
13	Other assets (attach statement)		373000		748000
14	Total assets		780544		1464972
	Liabilities and Capital				
15	Accounts payable				39656
16	Mortgages, notes, bonds payable in less than 1 year		193986		30364
17	Other current liabilities (attach statement)				267375
18	All nonrecourse loans				
19a	Loans from partners (or persons related to partners)				
b	Mortgages, notes, bonds payable in 1 year or more		373068		307973
20	Other liabilities (attach statement)		68360		76612
21	Partners' capital accounts		145130		742992
22	Total liabilities and capital		780544		1464972

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	362481	6	Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize):	
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):		a	Tax-exempt interest $	
3	Guaranteed payments (other than health insurance)		7	Deductions included on Schedule K, lines 1 through 13d, and 16l, not charged against book income this year (itemize):	
4	Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize):		a	Depreciation $	
a	Depreciation $ 54240		8	Add lines 6 and 7	
b	Travel and entertainment $ 76	54316	9	Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5	416797
5	Add lines 1 through 4	416797			

Schedule M-2 Analysis of Partners' Capital Accounts

1	Balance at beginning of year	145130	6	Distributions: a Cash	129000
2	Capital contributed: a Cash			b Property	
	b Property		7	Other decreases (itemize):	
3	Net income (loss) per books	362481			
4	Other increases (itemize): Statement 14	364381	8	Add lines 6 and 7	129000
5	Add lines 1 through 4	871992	9	Balance at end of year. Subtract line 8 from line 5	742992

651113

OMB No. 1545-0123

Schedule K-1 (Form 1065)

Department of the Treasury
Internal Revenue Service

2016

For calendar year 2016, or tax year beginning _____, 2016 ending _____, 20____

☐ Final K-1 ☐ Amended K-1

Partner's Share of Income, Deductions, Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
112457896

B Partnership's name, address, city, state, and ZIP code
Fitness For U & I, LLC

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 identifying number
895623142

F Partner's name, address, city, state, and ZIP code
Stanley Kubrick

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

H ☒ Domestic partner ☐ Foreign partner

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 %	50 %
Loss	50 %	50 %
Capital	50 %	50 %

K Partner's share of liabilities at year end:

Nonrecourse	$
Qualified nonrecourse financing	$
Recourse	$ 721980

L Partner's capital account analysis:

Beginning capital account	$ 9336
Capital contributed during the year	$
Current year increase (decrease)	$ 363430
Withdrawals & distributions	$ (52000)
Ending capital account	$ 320766

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

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

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

1	Ordinary business income (loss) 209058	15	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items -25153
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses 38
11	Other income (loss)		
		19	Distributions 52000
12	Section 179 deduction		
13	Other deductions 660	20	Other information
14	Self-employment earnings (loss) 0		

*See attached statement for additional information.

For IRS Use Only

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

		Report on
1.	**Ordinary business income (loss).** Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.	
	Passive loss	See the Partner's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2.	**Net rental real estate income (loss)**	See the Partner's Instructions
3.	**Other net rental income (loss)**	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Partner's Instructions
4.	**Guaranteed payments**	Schedule E, line 28, column (j)
5.	**Interest income**	Form 1040, line 8a
6a.	**Ordinary dividends**	Form 1040, line 9a
6b.	**Qualified dividends**	Form 1040, line 9b
7.	**Royalties**	Schedule E, line 4
8.	**Net short-term capital gain (loss)**	Schedule D, line 5
9a.	**Net long-term capital gain (loss)**	Schedule D, line 12
9b.	**Collectibles (28%) gain (loss)**	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
9c.	**Unrecaptured section 1250 gain**	See the Partner's Instructions
10.	**Net section 1231 gain (loss)**	See the Partner's Instructions
11.	**Other income (loss)**	
	Code	
	A Other portfolio income (loss)	See the Partner's Instructions
	B Involuntary conversions	See the Partner's Instructions
	C Sec. 1256 contracts & straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub. 535
	E Cancellation of debt	Form 1040, line 21 or Form 982
	F Other income (loss)	See the Partner's Instructions
12.	**Section 179 deduction**	See the Partner's Instructions
13.	**Other deductions**	
	A Cash contributions (50%)	See the Partner's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions—royalty income	Schedule E, line 19
	J Section 59(e)(2) expenditures	See the Partner's Instructions
	K Deductions—portfolio (2% floor)	Schedule A, line 23
	L Deductions—portfolio (other)	Schedule A, line 28
	M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
	N Educational assistance benefits	See the Partner's Instructions
	O Dependent care benefits	Form 2441, line 12
	P Preproductive period expenses	See the Partner's Instructions
	Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	R Pensions and IRAs	See the Partner's Instructions
	S Reforestation expense deduction	See the Partner's Instructions
	T Domestic production activities information	See Form 8903 instructions
	U Qualified production activities income	Form 8903, line 7b
	V Employer's Form W-2 wages	Form 8903, line 17
	W Other deductions	See the Partner's Instructions
14.	**Self-employment earnings (loss)**	
	Note: If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.	
	A Net earnings (loss) from self-employment	Schedule SE, Section A or B
	B Gross farming or fishing income	See the Partner's Instructions
	C Gross non-farm income	See the Partner's Instructions
15.	**Credits**	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
	D Low-income housing credit (other) from post-2007 buildings	
	E Qualified rehabilitation expenditures (rental real estate)	
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 73; check box a
	I Biofuel producer credit	See the Partner's Instructions
	J Work opportunity credit	
	K Disabled access credit	
	L Empowerment zone employment credit	See the Partner's Instructions
	M Credit for increasing research activities	
	N Credit for employer social security and Medicare taxes	
	O Backup withholding	
	P Other credits	
16.	**Foreign transactions**	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at partner level	
	Foreign gross income sourced at partnership level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at partner level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at partnership level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other Information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Partner's Instructions
17.	**Alternative minimum tax (AMT) items**	
	A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal—gross income	
	E Oil, gas, & geothermal—deductions	
	F Other AMT items	
18.	**Tax-exempt income and nondeductible expenses**	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Partner's Instructions
	C Nondeductible expenses	See the Partner's Instructions
19.	**Distributions**	
	A Cash and marketable securities	See the Partner's Instructions
	B Distribution subject to section 737	
	C Other property	
20.	**Other Information**	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Fuel tax credit information	Form 4136
	D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
	E Basis of energy property	See the Partner's Instructions
	F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	G Recapture of low-income housing credit (other)	Form 8611, line 8
	H Recapture of investment credit	See Form 4255
	I Recapture of other credits	See the Partner's Instructions
	J Look-back interest—completed long-term contracts	See Form 8697
	K Look-back interest—income forecast method	See Form 8866
	L Dispositions of property with section 179 deductions	See the Partner's Instructions
	M Recapture of section 179 deduction	
	N Interest expense for corporate partners	
	O Section 453(l)(3) information	
	P Section 453A(c) information	
	Q Section 1260(b) information	
	R Interest allocable to production expenditures	
	S CCF nonqualified withdrawals	
	T Depletion information—oil and gas	
	U Reserved	
	V Unrelated business taxable income	
	W Precontribution gain (loss)	
	X Section 108(i) information	
	Y Net investment income	
	Z Other information	

Form 1065	Other Deductions	Statement 1
Description		Amount
Advertising		101042
Amortization Expense		667
Misc Expense		15269
Bank Service Charges		109
Billing Services		30019
Computer & Internet		6286
Dues & Subscriptions		1916
Equipment Lease		4303
Supplies		53579
Insurance – Liability		3082
Insurance – Workers Comp		11386
Management Fee		118535
Meals & Entertainment		76
Merchant Fees		9621
Office Expense		2002
Outside Services		7634
Payroll Services		2000
Clothing & Accessories		39678
Corporate Fees		92218
National Advertising Fees		36887
Soda/Juice		17373
Tanning Products		23039
Postage & Delivery		36
Professional Fees		8391
Adjustment		243617
Telephone		1926
Utilities		96626
Waste Disposal		4187
Total to Form 1065, Line 20		931504

Worksheets For Exercises

Rental Income Worksheet

Principal Residence, 2- to 4-unit Property: Monthly Qualifying Rental Income

Documentation Required:

- Schedule E (IRS Form 1040) OR
- Lease Agreement or Fannie Mae Form 1007 or Form 1025

Address of Principal Residence:

		Enter	Rental Unit	Rental Unit	Rental Unit
Step 1. When using Schedule E, determine the number of months the property was in service by dividing the Fair Rental Days by 30. *If Fair Rental Days are not reported, the property is considered to be in service for 12 months unless there is evidence of a shorter term of service.*					
	Step 1. Result: The number of months the property was in service:	**Result**			
Step 2. Calculate monthly qualifying rental income using Step 2A: Schedule E OR Step 2B: Lease Agreement or Fannie Mae Form 1025.					
A1	Enter total rents received (from the **non-owner-occupied** units). *May enter rent from individual unit(s) or combine.*	Enter			
A2	Subtract total expenses.	Subtract			
A3	Add back insurance expense.	Add			
A4	Add back mortgage interest paid.	Add			
A5	Add back tax expense.	Add			
A6	Add back homeowners' association dues. *This expense must be specifically identified on Schedule E in order to add it back.*	Add			
A7	Add back depreciation expense or depletion.	Add			
A8	Add back any one-time extraordinary expense (e.g., casualty loss). *There must be evidence of the nature of the one-time extraordinary expense.*	Add			
	Equals adjusted rental income.	Total	0	0	0
A9	Divide by the number of months the property was in service (Step 1 Result).	Divide	0	0	0
	Step 2A. Result: Monthly qualifying rental income (or loss):	**Result**	0	0	0
Step 2B. Lease Agreement OR Fannie Mae Form 1025 For each property complete ONLY 2A or 2B This method is used when the transaction is a purchase, the property was acquired subsequent to the most recent tax filing					
B1	Enter the gross monthly rent (from the lease agreement) or market rent (from Form 1025) for the applicable rental unit	Enter			
B2	Multiply gross monthly rent or market rent by 75% (.75). *The remaining 25% accounts for vacancy loss, maintenance, and management expenses.*	Multiply	x.75	x.75	x.75
	Equals monthly rental income per unit	Total	0	0	0
B3	Combine the monthly rental income of all non-owner-occupied rental units (up to a maximum of 3 rental units since rental income is not eligible on the unit occupied by the borrower).	Add	0		
	Step 2B. Result: Monthly qualifying rental income:	**Result**	0		
Step 3. Determine the qualifying impact using the combined result of Step 2A or Step 2B.					
3A	Add the monthly qualifying rental income to the borrower's monthly qualifying income.		0		
3B	Identify the full amount of the PITIA as the borrower's primary housing expense and include it in the debt-to-income ratio. *Use proposed PITIA when the subject property; existing PITIA when not the subject property.*				

DU Data Entry	Monthly Income and Combined Housing Expenses	Mortgage Liabilities
Subject Property	Enter the amount of the monthly qualifying income "Subject Net Cash."	Include as the borrower's primary housing expense. For refinance transactions, identify the mortgage as a subject property lien.
Non-Subject Property	Enter the amount of the monthly qualifying income "Net Rental."	Include as the borrower's primary housing expense.

Refer to the Rental Income topic in the Selling Guide for additional guidance.

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Cash Flow Analysis (Form 1084)

Borrower Name: _____

Business Name (optional): _____

This worksheet may be used to prepare a written evaluation of the analysis of income related to self-employment. The purpose of this written analysis is to determine the amount of stable and continuous income that will be available to the borrower for loan qualifying purposes.

IRS Form 1040 – Individual Income Tax Return	**Year**_____	**Year**_____
1. **W-2 Income from Self-Employment**	(+)_____	(+)_____
2. **Schedule B – Interest and Ordinary Dividends**		
a. Interest Income from Self-Employment	(+)_____	(+)_____
b. Dividends from Self-Employment	(+)_____	(+)_____
3. **Schedule C – Profit or Loss from Business: Sole Proprietorship**		
a. Net Profit or (Loss)	(+/-)_____	(+/-)_____
b. Nonrecurring Other (Income) Loss/Expenses	(+/-)_____	(+/-)_____
c. Depletion	(+)_____	(+)_____
d. Depreciation	(+)_____	(+)_____
e. Non-deductible Meals and Entertainment Expenses	(-)_____	(-)_____
f. Business Use of Home	(+)_____	(+)_____
g. Amortization/Casualty Loss	(+)_____	(+)_____
4. **Schedule D – Capital Gains and Losses**		
a. Recurring Capital Gains	(+)_____	(+)_____

5. **Schedule E – Supplemental Income and Loss**

Note: A lender may use Fannie Mae Rental Income Worksheets (Form 1037 or Form 1038) to calculate individual rental income (loss) reported on Schedule E.

a. Royalties Received	(+)_____	(+)_____
b. Total Expenses	(-)_____	(-)_____
c. Depletion	(+)_____	(+)_____
6. **Schedule F – Profit or Loss from Farming**		
a. Net Farm Profit or (Loss)	(+/-)_____	(+/-)_____
b. Non-Tax Portion Ongoing Coop and CCC Payments	(+)_____	(+) _____
c. Nonrecurring Other (Income) Loss	(+/-)_____	(+/-)_____
d. Depreciation	(+) _____	(+) _____
e. Amortization/Casualty Loss/Depletion	(+) _____	(+) _____
f. Business Use of Home	(+) _____	(+) _____

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.

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Partnership or S Corporation

A self-employed borrower's share of Partnership or S Corporation earnings can only be considered if the lender obtains documentation, such as 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.

Note: See the Instructions for additional guidance on documenting access to income and business liquidity.

IRS Form 1065 - Partnership Income

7.	**Schedule K-1 Form 1065 – Partner's Share of Income**	**Year**_____	**Year**_____
	a. Ordinary Income (Loss)	(+/-)_____	(+/-)_____
	b. Net Rental Real Estate; Other Net Income (Loss)	(+/-)_____	(+/-)_____
	c. Guaranteed Payments to Partner	(+)_____	(+)_____
8.	**Form 1065 - Adjustments to Business Cash Flow**		
	a. Ordinary (Income) Loss from Other Partnerships	(+/-)_____	(+/-)_____
	b. Nonrecurring Other (Income) Loss	(+/-)_____	(+/-)_____
	c. Depreciation	(+)_____	(+)_____
	d. Depletion	(+)_____	(+)_____
	e. Amortization/Casualty Loss	(+)_____	(+)_____
	f. Mortgages or Notes Payable in Less than 1 Year	(-)_____	(-)_____
	g. Non-deductible Travel and Entertainment Expenses	(-)_____	(-)_____
	h. Subtotal	_____	_____
	i. Total Form 1065 (Subtotal multiplied by % of ownership)	_____	_____

	IRS Form 1120S – S Corporation Earnings	**Year**_____	**Year**_____
9.	**Schedule K-1 Form 1120S – Shareholder's Share of Income**		
	a. Ordinary Income (Loss)	(+/-)_____	(+/-)_____
	b. Net Rental Real Estate; Other Net Rental Income (Loss)	(+/-)_____	(+/-)_____
10.	**Form 1120S - Adjustments to Business Cash Flow**		
	a. Nonrecurring Other (Income) Loss	(+/-)_____	(+/-)_____
	b. Depreciation	(+)_____	(+)_____
	c. Depletion	(+)_____	(+)_____
	d. Amortization/Casualty Loss	(+)_____	(+)_____
	e. Mortgages or Notes Payable in Less than 1 Year	(-)_____	(-)_____
	f. Non-deductible Travel and Entertainment Expenses	(-)_____	(-)_____
	g. Subtotal	_____	_____
	h. Total Form 1120S (Subtotal multiplied by % of ownership)	_____	_____

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IRS Form 1120 – Regular Corporation

Corporation earnings may be used when the borrower(s) own 100% of the corporation.

	Year_____	Year_____
11. Form 1120 – Regular Corporation		
a. Taxable Income	_____	_____
b. Total Tax	(-)_____	(-)_____
c. Nonrecurring (Gains) Losses	(+/-)_____	(+/-)_____
d. Nonrecurring Other (Income) Loss	(+/-)_____	(+/-)_____
e. Depreciation	(+)_____	(+)_____
f. Depletion	(+)_____	(+)_____
g. Amortization/Casualty Loss	(+)_____	(+)_____
h. Net Operating Loss and Special Deductions	(+)_____	(+)_____
i. Mortgages or Notes Payable in Less than 1 Year	(-)_____	(-)_____
j. Non-deductible Travel and Entertainment Expenses	(-)_____	(-)_____
k. Subtotal	_____	_____
l. Less: Dividends Paid to Borrower	(-)_____	(-)_____
m. Total Form 1120	_____	_____

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CASH FLOW ANALYSIS (Fannie Mae Form 1084)

Instructions

Guidance for documenting access to income and business liquidity

- 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 income or adequate business liquidity to support the withdrawal of earnings is required in order to include that income 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.

IRS Form 1040 – Individual Income Tax Return

1. **W-2 Income from Self-Employment:** Identify wages paid to the borrower from the borrower's business. Self-employment wages may be confirmed by matching the Employer Identification Number (EIN) reported on the borrower's W-2 with the EIN reported by the borrower's business. When business tax returns are obtained, W-2 wages can be cross-referenced with compensation of officers reported on Form 1120S or Form 1120.

2. **Schedule B – Interest and Ordinary Dividends**

   Line 2a - Interest Income from Self-Employment: Identify interest income paid to the borrower from the borrower's business. Review Schedule B, Part I and/or IRS Schedule K-1 or Form 1099-Int to confirm the payer is the same entity as the borrower's business.

   Line 2b - Dividends from Self-Employment: Identify dividend income paid to the borrower from the borrower's business. Review Schedule B, Part II and/or IRS Schedule K-1 or Form 1099-Div to confirm the payer is the same entity as the borrower's business.

3. **Schedule C – Profit or Loss from Business: Sole Proprietorship**

   Line 3a - Net Profit or Loss: Record the net profit or (loss) reported on Schedule C.

   Line 3b - Nonrecurring Other (Income) Loss/ Expense: Other income reported on Schedule C represents income that is not directly related to business receipts. Deduct other income unless the income is determined to be recurring. If the income is determined to be recurring, no adjustment is required. Other loss may be added back when it is determined that the loss will not continue.

   Line 3c - Depletion: Add back the amount of the depletion deduction reported on Schedule C.

   Line 3d - Depreciation: Add back the amount of the depreciation deduction reported on Schedule C. Vehicle depreciation included as part of the standard mileage deduction may be added back by multiplying the business miles driven by the depreciation factor for the respective year.

   Line 3e - Non-deductible Meals and Entertainment Expenses: Deduct the portion of business-related meals and entertainment expenses that have been excluded for tax reporting purposes. These expenses, to the full extent they are incurred, are taken into account; therefore, the portion of these expenses that have been excluded must be identified and subtracted from business cash flow.

   Line 3f - Business Use of Home: Add back the expenses deducted for the business use of home.

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Line 3g - Amortization/Casualty Loss: Add back the expense deducted for amortization along with the expense associated with non-recurring casualty loss.

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

Line 4a - Recurring Capital Gains: Identify the amount of recurring capital gains. Schedule D may report business capital gains passed through to the borrower on Schedule K-1 (IRS Form 1065 or IRS Form 1120S). Do not include business capital gains which are sporadic or result from a one-time transaction.

Note: Business capital losses identified on Schedule D do not have to be considered when calculating income or liabilities, even if the losses are recurring.

5. **Schedule E – Supplemental Income and Loss**

Note: Use Fannie Mae Rental Income Worksheets (Form 1037 or Form 1038) to evaluate individual rental income (loss) reported on Schedule E. Refer to *Selling Guide*, B3-3.1-08, Rental Income, for additional details.

Partnerships and S corporation income (loss) reported on Schedule E is addressed below.

Line 5a - Royalties Received: Include royalty income which meets eligibility standards.

Line 5b - Total Expenses: Deduct the expenses related to royalty income used in qualifying the borrower.

Line 5c - Depletion: Add back the amount of the depletion deduction related to royalty income used in qualifying the borrower.

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

Line 6a - Net Farm Profit or (Loss): Record the net farm profit or (loss) reported on Schedule F.

Line 6b - Non-taxable Portion of Ongoing Coop and CCC Payments: Certain federal agriculture program payments, coop distributions, and insurance/loan proceeds are not fully taxable. Add back the nontaxable portion of these income types provided these sources of income are likely to continue and do not represent a one-time occurrence.

Line 6c - Nonrecurring Other (Income) Loss: Other income reported on Schedule F represents income received by a farmer that was not obtained through farm operations. Deduct other income unless the income is determined to be recurring. If the income is determined to be recurring, no adjustment is required. Other loss may be added back when it is determined that the loss will not continue.

Line 6d - Depreciation: Add back the amount of the depreciation deduction reported on Schedule F.

Line 6e - Amortization/Casualty Loss/Depletion: Add back the expense deducted for amortization/depletion along with the expense associated with non-recurring casualty loss.

Line 6f - Business Use of Home: Add back the expenses deducted for the business use of home.

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Partnership or S Corporation

IRS Form 1065 – Partnership Income

7. **Schedule K-1 Form 1065 – Partner's Share of Income:**

Line 7a - Ordinary Income (Loss): Record the amount of ordinary income (loss) reported to the borrower in Box 1 of Schedule K-1 (Form 1065).

Line 7b - Net Rental Real Estate; Other Net Income (Loss): Record the amount of net rental real estate; other net income (loss) reported to the borrower in Box 2 and/or 3 of Schedule K-1 (Form 1065).

Line 7c - Guaranteed Payments to Partner: Add guaranteed payments to partner when the borrower has a two-year history of receipt.

8. **Adjustments to Business Cash Flow – Form 1065**

When business tax returns are obtained by the lender, the following adjustments to business cash flow should be made.

Line 8a - Ordinary income (loss) from other Partnerships: In order to consider ordinary income from other partnerships, the lender must obtain additional documentation to confirm the income passed through from the other partnership to the borrower's business meets partnership income eligibility standards. Deduct ordinary income passed through to the borrower's business from other partnerships unless this additional action is taken. Losses passed through to the borrower's business may be added back when the lender determines pass-through losses are not likely to continue.

Line 8b - Nonrecurring Other (Income) Loss: Other income reported on Form 1065 generally represents income that is not directly related to business receipts. Deduct other income unless the income is determined to be recurring. If the income is determined to be recurring, no adjustment is required. Other loss may be added back when it is determined that the loss will not continue.

Line 8c - Depreciation: Add back the amount of the depreciation deduction reported on Form 1065 and/or on Form 8825.

Line 8d - Depletion: Add back the amount of the depletion deduction reported on Form 1065.

Line 8e - Amortization/Casualty Loss: Add back the expense deducted for amortization/depletion along with the expense associated with non-recurring casualty loss.

Line 8f - Mortgage or Notes Payable in Less than 1 Year: Subtract the amount of mortgage or note obligations payable in less than one year, as reported in Schedule L of Form 1120S, end of year column. This deduction is not required for lines of credit or if there is evidence that these obligations roll over regularly and/or the business has sufficient liquid assets to cover them.

Line 8g - Non-deductible Travel and Entertainment Expenses: Deduct the portion of business-related expenses (travel, meals, and entertainment) reported on Schedule M-1 of Form 1065 that have been excluded for tax reporting purposes. These expenses, to the full extent they are incurred, are taken into account; therefore, the portion of these expenses that have been excluded must be identified and subtracted from business cash flow.

Line 8h - Subtotal: Total lines 8a – 8g.

Line 8i - Form 1065 Total: To arrive at the borrower's proportionate share of adjustments to business cash flow, multiply the subtotal (line 8h) by the borrower's percentage of ownership (the borrower's ending percentage of capital ownership as reported on the Schedule K-1 (Form 1065)).

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IRS Form 1120S – S Corporation Earnings

9. **Schedule K-1 Form 1120S – Shareholder's Share of Income**

Line 9a - Ordinary Income (Loss): Record the amount of ordinary income (loss) reported to the borrower in Box 1 of Schedule K-1 (Form 1120S).

Line 9b - Net Rental Real Estate; Other Net Income (Loss): Record the amount of net rental real estate; other net income (loss) reported to the borrower in Box 2 and/or 3 of Schedule K-1 (Form 1120S).

10. **Adjustments to Business Cash Flow – Form 1120S**

When business tax returns are obtained by the lender, the following adjustments to business cash flow should be made.

Line 10a - Nonrecurring Other (Income) Loss: Other income reported on Form 1120S generally represents income that is not directly related to business receipts. Deduct other income unless the income is determined to be recurring. If the income is determined to be recurring, no adjustment is required. Other loss may be added back when it is determined that the loss will not continue.

Line 10b - Depreciation: Add back the amount of the depreciation deduction reported on Form 1120S and/or or Form 8825.

Line 10c - Depletion: Add back the amount of the depletion deduction reported on Form 1120S.

Line 10d - Amortization/Casualty Loss: Add back the expense deducted for amortization/depletion along with the expense associated with non-recurring casualty loss.

Line 10e - Mortgage or Notes Payable in Less than 1 Year: Subtract the amount of mortgage or note obligations payable in less than one year, as reported in Schedule L of Form 1120S, end of year column. This deduction is not required for lines of credit or if there is evidence that these obligations rollover regularly and/or the business has sufficient liquid assets to cover them.

Line 10f - Non-deductible Travel and Entertainment Expenses: Deduct the portion of business-related expenses (travel, meals, and entertainment) reported on Schedule M-1 of Form 1120S that have been excluded for tax reporting purposes. These expenses, to the full extent they are incurred, are taken into account; therefore, the portion of these expenses that have been excluded must be identified and subtracted from business cash flow.

Line 10g - Subtotal: Total lines 10a – 10f.

Line 10h - Form 1120S Total: To arrive at the borrower's proportionate share of adjustments to business cash flow, multiply the subtotal (line 10g) by the borrower's percentage of stock for tax year reported on the Schedule K-1 (Form 1120S).

IRS Form 1120 – Regular Corporation

11. **Regular Corporation – Form 1120**

When business tax returns are obtained by the lender, the following adjustments to business cash flow should be made.

Line 11a - Taxable Income: Record the taxable income reported by the business on the first page of Form 1120.

Line 11b - Total Tax: Deduct the corporation's tax liability identified on page 1 of Form 1120.

Line 11c - Nonrecurring Other (Gains) Losses: Deduct gains unless it is determined that the gains are likely to continue. Losses may be added back when it can be determined that the loss is a one-time occurrence and is not likely to continue.

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Line 11d - Nonrecurring Other (Income) Loss: Other income reported on Form 1120 generally represents income that is not directly related to business receipts. Deduct other income unless the income is determined to be recurring. If the income is determined to be recurring, no adjustment is required. Other loss may be added back when it is determined that the loss will not continue.

Line 11e - Depreciation: Add back the amount of the depreciation deduction reported on Form 1120.

Line 11f - Depletion: Add back the amount of the depletion deduction reported on Form 1120S.

Line 11g - Amortization/Casualty Loss: Add back the expense deducted for amortization/depletion along with the expense associated with non-recurring casualty loss.

Line 11h - Net Operating Loss and Special Deductions: Add back the full amount of the deduction related to net operating loss and/or special deductions.

Line 11i - Mortgage or Notes Payable in Less than 1 Year: Subtract the amount of mortgage or note obligations payable in less than one year, as reported in Schedule L of Form 1120S, end of year column. This deduction is not required for lines of credit or if there is evidence that these obligations roll over regularly and/or the business has sufficient liquid assets to cover them.

Line 11j - Non-deductible Travel and Entertainment Expenses: Deduct the portion of business-related expenses (travel, meals, and entertainment) reported on Schedule M-1 of Form 1120 that have been excluded for tax reporting purposes. These expenses, to the full extent they are incurred, are taken into account; therefore, the portion of these expenses that have been excluded must be identified and subtracted from business cash flow.

Line 11k - Subtotal: Total lines 11a – 11j.

Line 11l - Dividends Paid to Borrower: Dividends paid to stockholders are reported on Schedule M-2 of Form 1120. The borrower's share of these distributions will be reported on Schedule B of Form 1040. These funds are also included in the corporation's taxable income and are therefore being double-counted. Therefore, subtract distributions paid by the corporation and reported on the borrower's Schedule B.

Line 11m - Form 1120 Total: Subtract 11l from 11k to determine the adjustments to business tax flow that may be considered when the borrower(s) own 100% of the corporation and the business has adequate liquidity to support the withdrawal of earnings.

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Forms For Discussion

Form 1040 — U.S. Individual Income Tax Return 2016

Department of the Treasury—Internal Revenue Service (99) | OMB No. 1545-0074 | IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2016, or other tax year beginning , 2016, ending , 20 | See separate instructions.

Your first name and initial	Last name	Your social security number
If a joint return, spouse's first name and initial	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions.	Apt. no.	▲ Make sure the SSN(s) above and on line 6c are correct.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).		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
Foreign country name	Foreign province/state/county	Foreign postal code

Filing Status

Check only one box.

1 ☐ Single
2 ☐ Married filing jointly (even if only one had income)
3 ☐ Married filing separately. Enter spouse's SSN above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child

Exemptions

6a ☐ **Yourself.** If someone can claim you as a dependent, **do not** check box 6a
b ☐ **Spouse**

c **Dependents:**

(1) First name / Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if child under age 17 qualifying for child tax credit (see instructions)
			☐
			☐
			☐
			☐

If more than four dependents, see instructions and check here ▶ ☐

d Total number of exemptions claimed

Boxes checked on 6a and 6b
No. of children on 6c who:
• lived with you
• did not live with you due to divorce or separation (see instructions)
Dependents on 6c not entered above
Add numbers on lines above ▶

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a W-2, see instructions.

7	Wages, salaries, tips, etc. Attach Form(s) W-2		7
8a	**Taxable** interest. Attach Schedule B if required		8a
b	**Tax-exempt** interest. **Do not** include on line 8a	8b	
9a	Ordinary dividends. Attach Schedule B if required		9a
b	Qualified dividends	9b	
10	Taxable refunds, credits, or offsets of state and local income taxes		10
11	Alimony received		11
12	Business income or (loss). Attach Schedule C or C-EZ		12
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐		13
14	Other gains or (losses). Attach Form 4797		14
15a	IRA distributions 15a	b Taxable amount	15b
16a	Pensions and annuities 16a	b Taxable amount	16b
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17
18	Farm income or (loss). Attach Schedule F		18
19	Unemployment compensation		19
20a	Social security benefits 20a	b Taxable amount	20b
21	Other income. List type and amount		21
22	Combine the amounts in the far right column for lines 7 through 21. This is your **total income** ▶		22

Adjusted Gross Income

23	Educator expenses	23	
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24	
25	Health savings account deduction. Attach Form 8889	25	
26	Moving expenses. Attach Form 3903	26	
27	Deductible part of self-employment tax. Attach Schedule SE	27	
28	Self-employed SEP, SIMPLE, and qualified plans	28	
29	Self-employed health insurance deduction	29	
30	Penalty on early withdrawal of savings	30	
31a	Alimony paid b Recipient's SSN ▶	31a	
32	IRA deduction	32	
33	Student loan interest deduction	33	
34	Tuition and fees. Attach Form 8917	34	
35	Domestic production activities deduction. Attach Form 8903	35	
36	Add lines 23 through 35		36
37	Subtract line 36 from line 22. This is your **adjusted gross income** ▶		37

Tax and Credits

38	Amount from line 37 (adjusted gross income)		38	
39a	Check if: ☐ **You** were born before January 2, 1952, ☐ Blind. ☐ **Spouse** was born before January 2, 1952, ☐ Blind. **Total boxes checked** ▶ 39a			
b	If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ 39b ☐			
40	**Itemized deductions** (from Schedule A) **or** your **standard deduction** (see left margin)		40	
41	Subtract line 40 from line 38		41	
42	**Exemptions.** If line 38 is $155,650 or less, multiply $4,050 by the number on line 6d. Otherwise, see instructions		42	
43	**Taxable income.** Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-		43	
44	**Tax** (see instructions). Check if any from: a ☐ Form(s) 8814 b ☐ Form 4972 c ☐		44	
45	**Alternative minimum tax** (see instructions). Attach Form 6251		45	
46	Excess advance premium tax credit repayment. Attach Form 8962		46	
47	Add lines 44, 45, and 46 ▶		47	
48	Foreign tax credit. Attach Form 1116 if required	48		
49	Credit for child and dependent care expenses. Attach Form 2441	49		
50	Education credits from Form 8863, line 19	50		
51	Retirement savings contributions credit. Attach Form 8880	51		
52	Child tax credit. Attach Schedule 8812, if required	52		
53	Residential energy credits. Attach Form 5695	53		
54	Other credits from Form: a ☐ 3800 b ☐ 8801 c ☐	54		
55	Add lines 48 through 54. These are your **total credits**		55	
56	Subtract line 55 from line 47. If line 55 is more than line 47, enter -0- ▶		56	

Standard Deduction for—

- People who check any box on line 39a or 39b **or** who can be claimed as a dependent, see instructions.
- All others:

Single or Married filing separately, $6,300

Married filing jointly or Qualifying widow(er), $12,600

Head of household, $9,300

Other Taxes

57	Self-employment tax. Attach Schedule SE	57	
58	Unreported social security and Medicare tax from Form: a ☐ 4137 b ☐ 8919	58	
59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	59	
60a	Household employment taxes from Schedule H	60a	
b	First-time homebuyer credit repayment. Attach Form 5405 if required	60b	
61	Health care: individual responsibility (see instructions) Full-year coverage ☐	61	
62	Taxes from: a ☐ Form 8959 b ☐ Form 8960 c ☐ Instructions; enter code(s)	62	
63	Add lines 56 through 62. This is your **total tax** ▶	63	

Payments

If you have a qualifying child, attach Schedule EIC.

64	Federal income tax withheld from Forms W-2 and 1099	64		
65	2016 estimated tax payments and amount applied from 2015 return	65		
66a	**Earned income credit (EIC)**	66a		
b	Nontaxable combat pay election 66b			
67	Additional child tax credit. Attach Schedule 8812	67		
68	American opportunity credit from Form 8863, line 8	68		
69	Net premium tax credit. Attach Form 8962	69		
70	Amount paid with request for extension to file	70		
71	Excess social security and tier 1 RRTA tax withheld	71		
72	Credit for federal tax on fuels. Attach Form 4136	72		
73	Credits from Form: a ☐ 2439 b ☐ Reserved c ☐ 8885 d ☐	73		
74	Add lines 64, 65, 66a, and 67 through 73. These are your **total payments** ▶		74	

Refund

75	If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you **overpaid**		75	
76a	Amount of line 75 you want **refunded to you.** If Form 8888 is attached, check here ▶ ☐		76a	
b	Routing number ▶c Type: ☐ Checking ☐ Savings			
d	Account number			
77	Amount of line 75 you want **applied to your 2017 estimated tax** ▶	77		

Direct deposit? See instructions.

Amount You Owe

78	**Amount you owe.** Subtract line 74 from line 63. For details on how to pay, see instructions ▶		78	
79	Estimated tax penalty (see instructions)	79		

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? ☐ **Yes.** Complete below. ☐ **No**

Designee's name ▶ Phone no. ▶ Personal identification number (PIN) ▶

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instructions. Keep a copy for your records.

Your signature	Date	Your occupation	Daytime phone number
Spouse's signature. If a joint return, **both** must sign.	Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	

SCHEDULE E (Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Supplemental Income and Loss

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

▶ Attach to Form 1040, 1040NR, or Form 1041.

▶ Information about Schedule E and its separate instructions is at *www.irs.gov/schedulee.*

OMB No. 1545-0074

2016

Attachment Sequence No. **13**

Name(s) shown on return

Your social security number

Part I **Income or Loss From Rental Real Estate and Royalties** **Note:** If you are in the business of renting personal property, use **Schedule C** or **C-EZ** (see instructions). If you are an individual, report farm rental income or loss from **Form 4835** on page 2, line 40.

A Did you make any payments in 2016 that would require you to file Form(s) 1099? (see instructions) ☐ Yes ☐ No

B If "Yes," did you or will you file required Forms 1099? ☐ Yes ☐ No

	1a Physical address of each property (street, city, state, ZIP code)
A	
B	
C	

1b	Type of Property (from list below)	2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the **QJV** box only if you meet the requirements to file as a qualified joint venture. See instructions.		Fair Rental Days	Personal Use Days	QJV
A			A			☐
B			B			☐
C			C			☐

Type of Property:

1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental
2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe)

Income:	**Properties:**		A		B		C	
3	Rents received	3						
4	Royalties received	4						
Expenses:								
5	Advertising	5						
6	Auto and travel (see instructions)	6						
7	Cleaning and maintenance	7						
8	Commissions	8						
9	Insurance	9						
10	Legal and other professional fees	10						
11	Management fees	11						
12	Mortgage interest paid to banks, etc. (see instructions)	12						
13	Other interest	13						
14	Repairs	14						
15	Supplies	15						
16	Taxes	16						
17	Utilities	17						
18	Depreciation expense or depletion	18						
19	Other (list) ▶ _____	19						
20	Total expenses. Add lines 5 through 19	20						
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file **Form 6198**	21						
22	Deductible rental real estate loss after limitation, if any, on **Form 8582** (see instructions)	22	( )		( )		( )	

23a	Total of all amounts reported on line 3 for all rental properties	23a		
b	Total of all amounts reported on line 4 for all royalty properties	23b		
c	Total of all amounts reported on line 12 for all properties	23c		
d	Total of all amounts reported on line 18 for all properties	23d		
e	Total of all amounts reported on line 20 for all properties	23e		

24	**Income.** Add positive amounts shown on line 21. **Do not** include any losses	24	
25	**Losses.** Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25	( )
26	**Total rental real estate and royalty income or (loss).** Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26	

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

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 from an at-risk activity for which **any** amount is **not** at risk, you **must** check the box in column **(e)** 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, excess farm loss, 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 any amount is not at risk
A			☐		☐
B			☐		☐
C			☐		☐
D			☐		☐

	Passive Income and Loss		Nonpassive Income and Loss		
	(f) Passive loss allowed (attach **Form 8582** if required)	(g) Passive income from **Schedule K-1**	(h) Nonpassive loss from **Schedule K-1**	(i) Section 179 expense deduction from **Form 4562**	(j) Nonpassive income from **Schedule K-1**
A					
B					
C					
D					
29a Totals					
b Totals					

30	Add columns (g) and (j) of line 29a	30	
31	Add columns (f), (h), and (i) of line 29b	31	( )
32	**Total partnership and S corporation income or (loss).** Combine lines 30 and 31. Enter the result here and include in the total on line 41 below	32	

Part III Income or Loss From Estates and Trusts

33	(a) Name	(b) Employer identification number
A		
B		

	Passive Income and Loss		Nonpassive Income and Loss	
	(c) Passive deduction or loss allowed (attach **Form 8582** if required)	(d) Passive income from **Schedule K-1**	(e) Deduction or loss from **Schedule K-1**	(f) Other income from **Schedule K-1**
A				
B				
34a Totals				
b Totals				

35	Add columns (d) and (f) of line 34a	35	
36	Add columns (c) and (e) of line 34b	36	( )
37	**Total estate and trust income or (loss).** Combine lines 35 and 36. Enter the result here and include in the total on line 41 below	37	

Part IV Income or Loss From Real Estate Mortgage Investment Conduits (REMICs)—Residual Holder

38	(a) Name	(b) Employer identification number	(c) Excess inclusion from **Schedules Q,** line 2c (see instructions)	(d) Taxable income (net loss) from **Schedules Q,** line 1b	(e) Income from **Schedules Q,** line 3b

39	Combine columns (d) and (e) only. Enter the result here and include in the total on line 41 below	39	

Part V Summary

40	Net farm rental income or (loss) from **Form 4835.** Also, complete line 42 below	40	
41	**Total income or (loss).** Combine lines 26, 32, 37, 39, and 40. Enter the result here and on Form 1040, line 17, or Form 1040NR, line 18 ▶	41	
42	**Reconciliation of farming and fishing income.** Enter your **gross** farming and fishing income reported on Form 4835, line 7; Schedule K-1 (Form 1065), box 14, code B; Schedule K-1 (Form 1120S), box 17, code V; and Schedule K-1 (Form 1041), box 14, code F (see instructions)	42	
43	**Reconciliation for real estate professionals.** If you were a real estate professional (see instructions), enter the net income or (loss) you reported anywhere on Form 1040 or Form 1040NR from all rental real estate activities in which you materially participated under the passive activity loss rules	43	

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Profit or Loss From Business
(Sole Proprietorship)

▶ Information about Schedule C and its separate instructions is at *www.irs.gov/schedulec.*
▶ Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.

OMB No. 1545-0074

2016

Attachment Sequence No. **09**

Name of proprietor	Social security number (SSN)

A	Principal business or profession, including product or service (see instructions)	B Enter code from instructions ▶
C	Business name. If no separate business name, leave blank.	D Employer ID number (EIN), (see instr.)
E	Business address (including suite or room no.) ▶ City, town or post office, state, and ZIP code	

F Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶

G Did you "materially participate" in the operation of this business during 2016? If "No," see instructions for limit on losses . ☐ Yes ☐ No

H If you started or acquired this business during 2016, check here . . . . . ▶ ☐

I Did you make any payments in 2016 that would require you to file Form(s) 1099? (see instructions) . . . ☐ Yes ☐ No

J If "Yes," did you or will you file required Forms 1099? . . . . . ☐ Yes ☐ No

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . ▶ ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) . . .	6	
7	**Gross income.** Add lines 5 and 6 . . . . . ▶	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions)	18	
9	Car and truck expenses (see instructions)	9		19	Pension and profit-sharing plans .	19	
10	Commissions and fees .	10		20	Rent or lease (see instructions):		
11	Contract labor (see instructions)	11		a	Vehicles, machinery, and equipment	20a	
12	Depletion	12		b	Other business property . . .	20b	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13		21	Repairs and maintenance . . .	21	
14	Employee benefit programs (other than on line 19) . .	14		22	Supplies (not included in Part III) .	22	
15	Insurance (other than health)	15		23	Taxes and licenses	23	
16	Interest:			24	Travel, meals, and entertainment:		
a	Mortgage (paid to banks, etc.)	16a		a	Travel	24a	
b	Other	16b		b	Deductible meals and entertainment (see instructions) .	24b	
17	Legal and professional services	17		25	Utilities	25	
				26	Wages (less employment credits) .	26	
				27a	Other expenses (from line 48) . .	27a	
				b	**Reserved for future use** . . .	27b	

28	**Total expenses** before expenses for business use of home. Add lines 8 through 27a . . . . . ▶	28	
29	Tentative profit or (loss). Subtract line 28 from line 7	29	
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). **Simplified method filers only:** enter the total square footage of: (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30	
31	**Net profit or (loss).** Subtract line 30 from line 29. • If a profit, enter on both **Form 1040, line 12** (or **Form 1040NR, line 13**) and on **Schedule SE, line 2.** (If you checked the box on line 1, see instructions). Estates and trusts, enter on **Form 1041, line 3.** • If a loss, you **must** go to line 32.	31	
32	If you have a loss, check the box that describes your investment in this activity (see instructions). • If you checked 32a, enter the loss on both **Form 1040, line 12,** (or **Form 1040NR, line 13**) and on **Schedule SE, line 2.** (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on **Form 1041, line 3.** • If you checked 32b, you **must** attach **Form 6198.** Your loss may be limited.	32a ☐ All investment is at risk. 32b ☐ Some investment is not at risk.	

Part III Cost of Goods Sold (see instructions)

33 Method(s) used to value closing inventory: a ☐ Cost b ☐ Lower of cost or market c ☐ Other (attach explanation)

34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation . . . . . ☐ Yes ☐ No

35	Inventory at beginning of year. If different from last year's closing inventory, attach explanation	35	
36	Purchases less cost of items withdrawn for personal use	36	
37	Cost of labor. Do not include any amounts paid to yourself	37	
38	Materials and supplies	38	
39	Other costs	39	
40	Add lines 35 through 39	40	
41	Inventory at end of year	41	
42	**Cost of goods sold.** Subtract line 41 from line 40. Enter the result here and on line 4	42	

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month, day, year) ▶ / /

44 Of the total number of miles you drove your vehicle during 2016, enter the number of miles you used your vehicle for:

a Business _____ b Commuting (see instructions) _____ c Other _____

45 Was your vehicle available for personal use during off-duty hours? . . ☐ Yes ☐ No

46 Do you (or your spouse) have another vehicle available for personal use? ☐ Yes ☐ No

47a Do you have evidence to support your deduction? ☐ Yes ☐ No

b If "Yes," is the evidence written? ☐ Yes ☐ No

Part V Other Expenses. List below business expenses not included on lines 8–26 or line 30.

48 **Total other expenses.** Enter here and on line 27a	48	

Form **1065**
Department of the Treasury
Internal Revenue Service

U.S. Return of Partnership Income

For calendar year 2016, or tax year beginning _____, 2016, ending _____, 20_____.
▶ Information about Form 1065 and its separate instructions is at *www.irs.gov/form1065.*

OMB No. 1545-0123

2016

A Principal business activity	Type or Print	Name of partnership	D Employer identification number
B Principal product or service		Number, street, and room or suite no. If a P.O. box, see the instructions.	E Date business started
C Business code number		City or town, state or province, country, and ZIP or foreign postal code	F Total assets (see the instructions) $

G Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return
(6) ☐ Technical termination - also check (1) or (2)

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 ▶ _____

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

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

Income	1a	Gross receipts or sales	1a			
	b	Returns and allowances	1b			
	c	Balance. Subtract line 1b from line 1a			1c	
	2	Cost of goods sold (attach Form 1125-A)			2	
	3	Gross profit. Subtract line 2 from line 1c			3	
	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	
	8	**Total income (loss).** Combine lines 3 through 7			8	
Deductions (see the instructions for limitations)	9	Salaries and wages (other than to partners) (less employment credits)			9	
	10	Guaranteed payments to partners			10	
	11	Repairs and maintenance			11	
	12	Bad debts			12	
	13	Rent			13	
	14	Taxes and licenses			14	
	15	Interest			15	
	16a	Depreciation (if required, attach Form 4562)	16a			
	b	Less depreciation reported on Form 1125-A and elsewhere on return	16b		16c	
	17	Depletion **(Do not deduct oil and gas depletion.)**			17	
	18	Retirement plans, etc.			18	
	19	Employee benefit programs			19	
	20	Other deductions (attach statement)			20	
	21	**Total deductions.** Add the amounts shown in the far right column for lines 9 through 20			21	
	22	**Ordinary business income (loss).** Subtract line 21 from line 8			22	

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 general partner or limited liability company member manager) is based on all information of which preparer has any knowledge.

▶ _____ Signature of general partner or limited liability company member manager ▶ _____ 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	Check ☐ if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	

Schedule B Other Information

		Yes	No
1	What type of entity is filing this return? Check the applicable box:		
a	☐ Domestic general partnership		
b	☐ Domestic limited partnership		
c	☐ Domestic limited liability company		
d	☐ Domestic limited liability partnership		
e	☐ Foreign partnership		
f	☐ Other ▶		
2	At any time during the tax year, was any partner in the partnership a disregarded entity, a partnership (including an entity treated as a partnership), a trust, an S corporation, an estate (other than an estate of a deceased partner), or a nominee or similar person?		
3	At the end of the tax year:		
a	Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization, or any foreign government own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership		
b	Did any individual or estate own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership		
4	At the end of the tax year, did the partnership:		
a	Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below		

(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage Owned in Voting Stock

b	Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v) below				

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Type of Entity	(iv) Country of Organization	(v) Maximum Percentage Owned in Profit, Loss, or Capital

		Yes	No
5	Did the partnership file Form 8893, Election of Partnership Level Tax Treatment, or an election statement under section 6231(a)(1)(B)(ii) for partnership-level tax treatment, that is in effect for this tax year? See Form 8893 for more details		
6	Does the partnership satisfy **all four** of the following conditions?		
a	The partnership's total receipts for the tax year were less than $250,000.		
b	The partnership's total assets at the end of the tax year were less than $1 million.		
c	Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return.		
d	The partnership is not filing and is not required to file Schedule M-3 If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item L on Schedule K-1.		
7	Is this partnership a publicly traded partnership as defined in section 469(k)(2)?		
8	During the tax year, did the partnership have any debt that was cancelled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt?		
9	Has this partnership filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?		
10	At any time during calendar year 2016, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR). If "Yes," enter the name of the foreign country. ▶		

Schedule B Other Information *(continued)*

		Yes	No
11	At any time during the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts. See instructions		
12a	Is the partnership making, or had it previously made (and not revoked), a section 754 election? See instructions for details regarding a section 754 election.		
b	Did the partnership make for this tax year an optional basis adjustment under section 743(b) or 734(b)? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions		
c	Is the partnership required to adjust the basis of partnership assets under section 743(b) or 734(b) because of a substantial built-in loss (as defined under section 743(d)) or substantial basis reduction (as defined under section 734(d))? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions		
13	Check this box if, during the current or prior tax year, the partnership distributed any property received in a like-kind exchange or contributed such property to another entity (other than disregarded entities wholly owned by the partnership throughout the tax year) ▶ ☐		
14	At any time during the tax year, did the partnership distribute to any partner a tenancy-in-common or other undivided interest in partnership property?		
15	If the partnership is required to file Form 8858, Information Return of U.S. Persons With Respect To Foreign Disregarded Entities, enter the number of Forms 8858 attached. See instructions ▶		
16	Does the partnership have any foreign partners? If "Yes," enter the number of Forms 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax, filed for this partnership. ▶		
17	Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return. ▶		
18a	Did you make any payments in 2016 that would require you to file Form(s) 1099? See instructions		
b	If "Yes," did you or will you file required Form(s) 1099?		
19	Enter the number of Form(s) 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations, attached to this return. ▶		
20	Enter the number of partners that are foreign governments under section 892. ▶		
21	During the partnership's tax year, did the partnership make any payments that would require it to file Form 1042 and 1042-S under chapter 3 (sections 1441 through 1464) or chapter 4 (sections 1471 through 1474)?		
22	Was the partnership a specified domestic entity required to file Form 8938 for the tax year (See the Instructions for Form 8938)?		

Designation of Tax Matters Partner (see instructions)

Enter below the general partner or member-manager designated as the tax matters partner (TMP) for the tax year of this return:

Name of designated TMP ▶ _____ Identifying number of TMP ▶ _____

If the TMP is an entity, name of TMP representative ▶ _____ Phone number of TMP ▶ _____

Address of designated TMP ▶ _____

Schedule K	Partners' Distributive Share Items			Total amount
Income (Loss)	1	Ordinary business income (loss) (page 1, line 22)	1	
	2	Net rental real estate income (loss) (attach Form 8825)	2	
	3a	Other gross rental income (loss) — 3a		
	b	Expenses from other rental activities (attach statement) — 3b		
	c	Other net rental income (loss). Subtract line 3b from line 3a	3c	
	4	Guaranteed payments	4	
	5	Interest income	5	
	6	Dividends: a Ordinary dividends	6a	
		b Qualified dividends — 6b		
	7	Royalties	7	
	8	Net short-term capital gain (loss) (attach Schedule D (Form 1065))	8	
	9a	Net long-term capital gain (loss) (attach Schedule D (Form 1065))	9a	
	b	Collectibles (28%) gain (loss) — 9b		
	c	Unrecaptured section 1250 gain (attach statement) — 9c		
	10	Net section 1231 gain (loss) (attach Form 4797)	10	
	11	Other income (loss) (see instructions) Type ▶	11	
Deductions	12	Section 179 deduction (attach Form 4562)	12	
	13a	Contributions	13a	
	b	Investment interest expense	13b	
	c	Section 59(e)(2) expenditures: (1) Type ▶ _____ (2) Amount ▶	13c(2)	
	d	Other deductions (see instructions) Type ▶	13d	
Self-Employment	14a	Net earnings (loss) from self-employment	14a	
	b	Gross farming or fishing income	14b	
	c	Gross nonfarm income	14c	
Credits	15a	Low-income housing credit (section 42(j)(5))	15a	
	b	Low-income housing credit (other)	15b	
	c	Qualified rehabilitation expenditures (rental real estate) (attach Form 3468, if applicable)	15c	
	d	Other rental real estate credits (see instructions) Type ▶ _____	15d	
	e	Other rental credits (see instructions) Type ▶ _____	15e	
	f	Other credits (see instructions) Type ▶	15f	
Foreign Transactions	16a	Name of country or U.S. possession ▶ _____		
	b	Gross income from all sources	16b	
	c	Gross income sourced at partner level	16c	
		Foreign gross income sourced at partnership level		
	d	Passive category ▶ _____ e General category ▶ _____ f Other ▶	16f	
		Deductions allocated and apportioned at partner level		
	g	Interest expense ▶ _____ h Other ▶	16h	
		Deductions allocated and apportioned at partnership level to foreign source income		
	i	Passive category ▶ _____ j General category ▶ _____ k Other ▶	16k	
	l	Total foreign taxes (check one): ▶ Paid ☐ Accrued ☐	16l	
	m	Reduction in taxes available for credit (attach statement)	16m	
	n	Other foreign tax information (attach statement)		
Alternative Minimum Tax (AMT) Items	17a	Post-1986 depreciation adjustment	17a	
	b	Adjusted gain or loss	17b	
	c	Depletion (other than oil and gas)	17c	
	d	Oil, gas, and geothermal properties—gross income	17d	
	e	Oil, gas, and geothermal properties—deductions	17e	
	f	Other AMT items (attach statement)	17f	
Other Information	18a	Tax-exempt interest income	18a	
	b	Other tax-exempt income	18b	
	c	Nondeductible expenses	18c	
	19a	Distributions of cash and marketable securities	19a	
	b	Distributions of other property	19b	
	20a	Investment income	20a	
	b	Investment expenses	20b	
	c	Other items and amounts (attach statement)		

Analysis of Net Income (Loss)

1	Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16l					1	
2	Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt Organization	(vi) Nominee/Other
a	General partners						
b	Limited partners						

Schedule L Balance Sheets per Books

	Assets	Beginning of tax year (a)	Beginning of tax year (b)	End of tax year (c)	End of tax year (d)
1	Cash				
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories				
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				
b	Less accumulated depreciation				
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				
	Liabilities and Capital				
15	Accounts payable				
16	Mortgages, notes, bonds payable in less than 1 year				
17	Other current liabilities (attach statement)				
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				
22	Total liabilities and capital				

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		6	Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize):	
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):		a	Tax-exempt interest $	
3	Guaranteed payments (other than health insurance)		7	Deductions included on Schedule K, lines 1 through 13d, and 16l, not charged against book income this year (itemize):	
4	Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize):		a	Depreciation $	
a	Depreciation $		8	Add lines 6 and 7	
b	Travel and entertainment $		9	Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5	
5	Add lines 1 through 4				

Schedule M-2 Analysis of Partners' Capital Accounts

1	Balance at beginning of year		6	Distributions: a Cash	
2	Capital contributed: a Cash			b Property	
	b Property		7	Other decreases (itemize):	
3	Net income (loss) per books				
4	Other increases (itemize):		8	Add lines 6 and 7	
5	Add lines 1 through 4		9	Balance at end of year. Subtract line 8 from line 5	