
Cash Flow Analysis Worksheet

Schedule A (Form 1040) – Itemized Deductions

A review of Schedule A will give the lender an indication of whether the borrower has owned real estate in the past and if there was a lien against a property (institutional or private). Interest paid on owner-occupied real estate and real estate taxes are itemized on Schedule A. Interest and real estate taxes paid on investment properties are reported on Schedule E (Supplemental Income and Loss).

Unreimbursed employee expenses appear on Schedule A and indicate the borrower is subject to certain business expenses that must be factored in the analysis. The lender must obtain and examine Form 2106 if Schedule A indicates the presence of unreimbursed expenses.

SCHEDULES A&B
(Form 1040)

Schedule A—Itemized Deductions

(Schedule B is on back)

OMB No. 1545-0074

2004

Attachment
Sequence No. **07**

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040. ▶ See instructions for Schedules A and B (Form 1040).

Names shown on Form 1040

Your social security number

Medical and Dental Expenses	Caution. Do not include expenses reimbursed or paid by others.				
	1	Medical and dental expenses (see page A-2)	1		
	2	Enter amount from Form 1040, line 37 2	2		
	3	Multiply line 2 by 7.5% (.075).	3		
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-			4
Taxes You Paid (See page A-2.)	5 State and local (check only one box):		5		
	a <input type="checkbox"/> Income taxes, or				
	b <input type="checkbox"/> General sales taxes (see page A-2)				
	6	Real estate taxes (see page A-3)	6		
	7	Personal property taxes	7		
	8	Other taxes. List type and amount ▶	8		
	9	Add lines 5 through 8			9
Interest You Paid (See page A-3.)	10	Home mortgage interest and points reported to you on Form 1098	10		
	11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-4 and show that person's name, identifying no., and address ▶			
		11		
		12		
Note. Personal interest is not deductible.	12	Points not reported to you on Form 1098. See page A-4 for special rules	12		
	13	Investment interest. Attach Form 4952 if required. (See page A-4.)	13		
	14	Add lines 10 through 13			14
Gifts to Charity If you made a gift and got a benefit for it, see page A-4.	15	Gifts by cash or check. If you made any gift of \$250 or more, see page A-4	15		
	16	Other than by cash or check. If any gift of \$250 or more, see page A-4. You must attach Form 8283 if over \$500	16		
	17	Carryover from prior year	17		
	18	Add lines 15 through 17			18
Casualty and Theft Losses	19	Casualty or theft loss(es). Attach Form 4684. (See page A-5.)			19
Job Expenses and Most Other Miscellaneous Deductions (See page A-5.)	20	Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-6.) ▶	20		
				
	21	Tax preparation fees	21		
	22	Other expenses—investment, safe deposit box, etc. List type and amount ▶	22		
				
	23	Add lines 20 through 22	23		
24	Enter amount from Form 1040, line 37 24	24			
25	Multiply line 24 by 2% (.02)	25			
26	Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-			26	
Other Miscellaneous Deductions	27	Other—from list on page A-6. List type and amount ▶			27
				
Total Itemized Deductions	28	Is Form 1040, line 37, over \$142,700 (over \$71,350 if married filing separately)?			28
		<input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 39.			
		<input type="checkbox"/> Yes. Your deduction may be limited. See page A-6 for the amount to enter.			

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13. Form 2106 – Employee Business Expenses

Form 2106 is used by employees and commissioned salespeople who incur business expenses not fully reimbursed to them by their employer. The result of the form itself does not decrease taxable income but is calculated into the deductions they take on Schedule A. Deductions don't reduce taxable income but do reduce the amount of income tax paid.

Underwriters care about this form because it reports expenses that individuals pay in order to be successful at their jobs. From an underwriting standpoint there expenses are used to reduce the borrowers income.

One indication that a borrower has completed a Form 2106 is reference to it on line 20 of Schedule A. Most of the expenses reported on Form 2106 will be travel, meals, entertainment, car or office expenses. Employees who pay union dues or buy uniforms simply enter those expenses directly on Schedule A without the use of Form 2106.

Calculating Expenses to deduct:

Form 2106 is separated into three sections:

Section One: Total Expenses (all expenses paid by the employee)

Section Two: Amount your employer gave you (the amounts reimbursed)

Section Three: The net amount of expenses, less the 50% meals & entertainment exclusion. The bottom line (line 10) amount is what is transferred to Schedule A.

For underwriting purposes, the amount deducted from income must capture the amount of the expenses after reimbursement, but before the 50% exclusion.

The borrower's unreimbursed expenses are reported on Form 2106. Subtract the reported amount from Total Income. Note that when the borrower recognized "actual expenses" rather than using the "standard mileage rate," the lender must analyze the "actual expenses" section of the form checking for lease payments. Add back actual lease payments to ensure that the expense is recognized only once.

To calculate actual unreimbursed expenses: **Add Column A and B on line 8 of the 2106 Form.**

Employee Business Expenses

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.

2004
Attachment
Sequence No. **54**

▶ Attach to Form 1040.

Your name	Occupation in which you incurred expenses	Social security number : : :
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Part I Employee Business Expenses and Reimbursements

Step 1 Enter Your Expenses	Column A Other Than Meals and Entertainment	Column B Meals and Entertainment
1 Vehicle expense from line 22 or line 29. (Rural mail carriers: See instructions.)	1	
2 Parking fees, tolls, and transportation, including train, bus, etc., that did not involve overnight travel or commuting to and from work	2	
3 Travel expense while away from home overnight, including lodging, airplane, car rental, etc. Do not include meals and entertainment.	3	
4 Business expenses not included on lines 1 through 3. Do not include meals and entertainment.	4	
5 Meals and entertainment expenses (see instructions)	5	
6 Total expenses. In Column A, add lines 1 through 4 and enter the result. In Column B, enter the amount from line 5	6	

Note: If you were not reimbursed for any expenses in Step 1, skip line 7 and enter the amount from line 6 on line 8.

Step 2 Enter Reimbursements Received From Your Employer for Expenses Listed in Step 1

7 Enter reimbursements received from your employer that were not reported to you in box 1 of Form W-2. Include any reimbursements reported under code "L" in box 12 of your Form W-2 (see instructions)	7	
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Step 3 Figure Expenses To Deduct on Schedule A (Form 1040)

8 Subtract line 7 from line 6. If zero or less, enter -0-. However, if line 7 is greater than line 6 in Column A, report the excess as income on Form 1040, line 7	8	
Note: If both columns of line 8 are zero, you cannot deduct employee business expenses. Stop here and attach Form 2106 to your return.		
9 In Column A, enter the amount from line 8. In Column B, multiply line 8 by 50% (.50). (Employees subject to Department of Transportation (DOT) hours of service limits: Multiply meal expenses incurred while away from home on business by 70% (.70) instead of 50%. For details, see instructions.)	9	
10 Add the amounts on line 9 of both columns and enter the total here. Also, enter the total on Schedule A (Form 1040), line 20. (Reservists, qualified performing artists, fee-basis state or local government officials, and individuals with disabilities: See the instructions for special rules on where to enter the total.)	10	

For Paperwork Reduction Act Notice, see instructions.

Cat. No. 11700N

Form **2106** (2004)

Cash Flow Analysis Worksheet

14. Form 2106 - Depreciation:

If the borrower has claimed automobile depreciation on Form 2106, this expense should be added to the borrower's income. Vehicle depreciation can be calculated one of two ways:

- By using the standard mileage deduction or
- Actual depreciation expense.

The method used by the borrower will be disclosed on the second page of Form 2106. If the borrower used the standard mileage deduction, multiply the business miles driven by the depreciation factor for the appropriate year and add the calculated amount to Total Income. If the borrower claimed the actual depreciation expense, add this amount to Total Income.

Part II Vehicle Expenses

Section A—General Information (You must complete this section if you are claiming vehicle expenses.)		(a) Vehicle 1	(b) Vehicle 2
11	Enter the date the vehicle was placed in service	/ /	/ /
12	Total miles the vehicle was driven during 2004	miles	miles
13	Business miles included on line 12	miles	miles
14	Percent of business use. Divide line 13 by line 12	%	%
15	Average daily roundtrip commuting distance	miles	miles
16	Commuting miles included on line 12	miles	miles
17	Other miles. Add lines 13 and 16 and subtract the total from line 12.	miles	miles
18	Do you (or your spouse) have another vehicle available for personal use?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
19	Was your vehicle available for personal use during off-duty hours?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
20	Do you have evidence to support your deduction?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
21	If "Yes," is the evidence written?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Section B—Standard Mileage Rate (See the instructions for Part II to find out whether to complete this section or Section C.)

22	Multiply line 13 by 37.5¢ (.375)	22	
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Section C—Actual Expenses		(a) Vehicle 1		(b) Vehicle 2	
23	Gasoline, oil, repairs, vehicle insurance, etc.	23			
24a	Vehicle rentals	24a			
b	Inclusion amount (see instructions)	24b			
c	Subtract line 24b from line 24a	24c			
25	Value of employer-provided vehicle (applies only if 100% of annual lease value was included on Form W-2—see instructions)	25			
26	Add lines 23, 24c, and 25	26			
27	Multiply line 26 by the percentage on line 14	27			
28	Depreciation (see instructions)	28			
29	Add lines 27 and 28. Enter total here and on line 1	29			

Section D—Depreciation of Vehicles (Use this section only if you owned the vehicle and are completing Section C for the vehicle.)

		(a) Vehicle 1		(b) Vehicle 2	
30	Enter cost or other basis (see instructions)	30			
31	Enter section 179 deduction and special allowance (see instructions)	31			
32	Multiply line 30 by line 14 (see instructions if you claimed the section 179 deduction or special allowance)	32			
33	Enter depreciation method and percentage (see instructions)	33			
34	Multiply line 32 by the percentage on line 33 (see instructions)	34			
35	Add lines 31 and 34	35			
36	Enter the applicable limit explained in the line 36 instructions	36			
37	Multiply line 36 by the percentage on line 14	37			
38	Enter the smaller of line 35 or line 37. Also enter this amount on line 28 above	38			

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Schedule B (Form 1040) – Interest and Dividend Income

Review 1040 and Schedule B if necessary, for appropriate income line numbers that attribute to the Total Income.

15. Nonrecurring Interest Income:

Subtract nonrecurring interest income from Total Income. This includes interest income from assets used to complete the subject transaction. Document the existence of the accounts on which the interest is earned and confirm that the balances have not significantly decreased. Subtract any interest income from seller financed mortgages that have less than three years remaining in the contract or that is unstable because of delinquent repayment. (Note that the principal portion of installment payments received is reported in Schedule D and Form 6252 [Installment Sale Income]).

16. Nonrecurring Dividend Income:

Document that the assets producing dividend income exist and are owned by the borrower. Deduct nonrecurring dividend income from Total Income.