



Evaluating the
**Self-Employed
Borrower** *And other
sources of income*

2008
TAX RETURNS



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Introduction

How would you like to:

- Speed your self-employed borrower applications through processing and underwriting?
- Expand your customer base by including more self-employed borrowers?
- Save time evaluating self-employed borrowers with state-of-the-art technology?
- Enhance credibility with investors by providing consistent evaluation and presentation of self-employed files?

With MGIC's software program *Evaluating the Self-Employed Borrower*, you can!

MGIC's *Self-Employed Borrower* software leads you step-by-step through the evaluation of a self-employed borrower tax return, including all forms and schedules. It's easy to use! All you have to do is enter income or expenses when prompted by your computer. The program shows you where to find the information on the various tax forms. With one final keystroke, the program adds back, deducts, negates and checks for inconsistencies. When you're finished, the program prints a clear, concise and well-organized qualification worksheet in a matter of seconds.

The program includes an extensive selection of HELP screens to answer questions you may have about the qualification process.

Everything you need to know about this program – from installation, to entering data and printing – is in this document.

Important Numbers

For Computer and Installation Instructions

1-800-644-2332

For Underwriting Questions

Your local MGIC Underwriting Service Center or MGIC Representative

Before You Get Started

OVERVIEW

MGIC's *Evaluating the Self-Employed Borrower* has two distinct methods to evaluate the self-employed borrower:

Adjusted Gross Income Method – The AGI method begins with Total Income from the front page of the borrower's 1040 income tax form. You analyze the returns, adding to or subtracting from the total income based on the types of revenue and expenses found.

Schedule Analysis Method – The SAM method determines the self-employed borrower's income by analyzing each tax schedule, such as the B, C, etc. Because the income from the individual schedules is listed separately, it is easy for you to assess the level and stability of the different sources of income.

MGIC's *Self-Employed Borrower* program allows you to analyze income under one or both of these methods – whichever you prefer.

Keep in mind that taxable income may have very little relation to a borrower's cash flow. This is because IRS rules allow a borrower to reduce taxable income by noncash expenses such as depreciation. Also, in certain situations, the tax code may not allow a borrower to declare losses or expenses they have actually incurred. In these cases, income may be overstated.

NECESSARY DOCUMENTATION

Make sure you have the following information before you begin to use the software:

- At least the last two years of your self-employed borrower's tax returns and all appropriate addenda
- Profit-and-Loss statements, if applicable

NOW YOU'RE READY TO GET STARTED!

Windows Program Guide

NECESSARY EQUIPMENT FOR WINDOWS

To operate MGIC's *Self-Employed Borrower* program, you will need the following hardware and software:

- A PC running Windows 2000 or higher. MGIC's *Self-Employed Borrower* program is NOT compatible with Apple computers.
- 4 MB free disk space.

INSTALLATION

Individual User Installation

To simplify the installation process, close all applications before installing the Self-Employed Borrower software. If other programs start up automatically when *Windows* starts up, hold down the shift key while *Windows* is starting. This will prevent the other programs from opening.

- Insert MGIC's *Self-Employed Borrower* CD into your CD-ROM drive.
- The *Self-Employed Borrower* CD has an auto-run feature that will automatically initiate the installation. It may take several moments for the CD to welcome you to the Setup procedure.

Note: If your PC is not configured to allow for CD auto-run, please use Windows Explorer to access your CD drive (normally D:) and double-click the file: **setup.exe**.

- Follow the instructions on the screen.
- Setup is complete. You may now run the program by double-clicking the *Self-Employed Borrower* icon on your Windows Desktop.

Network Installation

By nature, installing software on a network is challenging. Microsoft recommends that a network administrator be involved with network installations.

Microsoft also recommends installing this type of program on a network by copying the program files from the CD to a sharable network drive and instructing users to run the setup program from their individual workstations. This procedure copies the necessary files from the sharable drive to the correct places on each user's local drive. The local Windows Registry is also updated correctly through this procedure. Users run the program locally.

Novell Installation

MGIC is available to help with network installations, but this support is limited because of the number of different networks that exist. The following instructions apply to Novell networks.

1) Create a directory on a sharable network drive:

```
w:\>md selfempw
```

2) Copy the files from the Windows version install CD to the new directory:

```
w:\>copy D:*. * w:\selfempw
```

3) From each user's workstation, do the following:

- a. From the Windows desktop, click on **Start** and select **Run**.
- b. Type: **w:\selfempw\setup**
- c. You will be asked where you would like the software installed. The install program defaults to c:\mgic\sewin09.
- d. When you are returned to your Desktop, a new program group called **MGIC Software** will be present with a **Self-Employed Borrower** icon. (If you have installed other **MGIC software** and already have an MGIC Software program group, the Self-Employed Borrower icon will be added to it.)

Printing MGIC's SEB Program

The *Windows* version of the *Self-Employed Borrower* prints to your current *Windows* printer using the Arial font. This font is one of Microsoft's standard fonts that is loaded when *Windows* was installed on your PC. If print output does not line up correctly or is not fitting on 8 1/2" x 11" paper, check the installed fonts. The installed fonts can be found in the **Settings** program group, in the **Control Panel**, by clicking the **Fonts** icon.

If the Arial font is not installed, add it from your *Windows* setup diskettes or CD.

Self-Study Training

Throughout the analysis, you will be directed by means of a prompt to the applicable tax form and line number. You simply enter the appropriate dollar amounts obtained from the borrower's returns. The program makes the necessary adjustments to the borrower's income or cash flow.

To help you become better acquainted with MGIC's *Self-Employed Borrower* software, the following self-study section will take you through some of the functions, highlights and mechanics of the software, and through a case study.

If you are not in the program:

- 1) Double-click on the program group called **MGIC Software**.
- 2) Double-click on the **MGIC's Self-Employed Borrower** icon.

Getting Started

Take a few minutes to review a worksheet screen and note some of the highlights:

Pull-Down Menus (located in the upper left corner of your screen)

- **File** – Open an existing file, start a new file, save files, print and exit the program.
- **Window** – Choose the different analysis methods and summary information on your files.
- **Help** – View extended help on your entries.

Push buttons (located down the right side of your screen). To choose a push button, use your mouse to position your cursor on the appropriate button and click on it.

Push-Button Command	Click to:
New	Start a brand new file.
Open	Open a previously created file.
Save	Save and name a new file, or re-save an existing file.
Print	Print a document.
Exit	End the <i>Self-Employed Borrower</i> session.
Help	View additional information and hints about a particular entry. A pop-up window will appear, providing detailed information concerning what should be entered in that field. Help windows are available throughout the program.
Variance	View details regarding the type of variance that occurred and possible courses of action. As you perform your evaluation, the program will compare your year-to-year entries. Significant variances between the two tax years will be indicated by an asterisk.
Mth Avg	View your self-employed borrower's totaled income as a monthly average (bottom right of your screen). To return to yearly totals, click on the same push button which now reads Totals .
YTD	Enter year-to-date income for your self-employed borrower for the AGI and SAM methods and Partnerships and Corporations. To view just the '07 and '08 tax years, click on the same button again, which now reads YTD.
Comments	Enter any comments you may have about this specific analysis. These comments will appear on your printout.
Calculator	View and use an on-screen calculator function. It will enable you to analyze borrowers who are involved in multiple partnerships, corporations, etc.
AGI	Perform your analysis using the Adjusted Gross Income Method.
SAM	Perform your analysis using the Schedule Analysis Method.
Corp/Parts	Analyze income from Partnerships, S Corporations and Regular Corporations.
Summary	View an analysis summary of qualifying income.

Walking Through a Sample Loan

- 1) Select the **Open** option from the **File** pull-down menu, or click the push button labeled **Open**.
- 2) Find the file called **barnes09.seb**. To open the file, either click on it twice, or click on it once and then click on the **OK** button. Take a few minutes to examine this screen.

Note: When you select a file, the program searches for the cash flow method you have used and automatically opens that screen for you. If you have entered income under both methods, the program will default to the AGI method. (If you wish to set the program to the method you prefer, go to the **File** menu, choose **Preferences** and set your defaults.)

- 3) At the bottom right-hand corner of the screen, you will see annual income totals for the different analysis methods, including year-to-date income.
- 4) Now click on the push button labeled **Mth Avg**. The program changes the yearly totals into monthly income averages. Click that same button, that now reads **Totals**, and the program will change back to yearly income. You can easily toggle back and forth between monthly averages and yearly totals.
- 5) Click on the **'08-'07** push button. The 2009 column will disappear. (We will revisit year-to-date income later.)
- 6) You will find the **Borrower's Name** located at the top of the screen.
- 7) Move your cursor to the first line in the analysis, **Total Income**, by using your up and down arrow keys, **tab** key, **enter** key or mouse – whichever method you prefer for moving from field to field.
- 8) Notice the prompt box in the lower left of the screen. This will display the tax form and line number where you can find the needed information.
- 9) With your cursor still in the **Total Income** field, click on the push button labeled **Help**. A pop-up window appears with a more detailed explanation of this entry. Read through this information. Remember, **Help** is available throughout the program. Click **OK** to exit the **Help** window.

Entering and Changing Data

- 1) To view the SAM worksheet, click on the push button labeled **SAM**. (For purposes of this exercise, we have entered income for the Barnes case study in the SAM method as well.)
- 2) Scroll down to review the entries. Stop at the first asterisk. This indicates a variance. Review the comments regarding the variance by putting your cursor in the field labeled **Meal and Entertainment Exclusion**, and then click on the push button labeled **Variance**. Read through the variance. Variances are items that may need further analysis or correction. Click **OK** to proceed.
- 3) As previously mentioned, you have the option to enter year-to-date information. Click on the push button labeled **YTD**. Notice the **YTD** column appears to the left of the 2008 column. At the top of the 2009 column, there is an entry field for the number of months for the year-to-date income. This is a required field. If you forget to enter the number of months, the program will prompt you to do so before you save, print or exit.

Using the Partnerships, S Corporations and Regular Corporations Screen

You also have the ability to analyze income from Partnerships, S Corporations and Regular Corporations. To do so, select the Partnerships, S Corporations and Regular Corporations push button labeled **Corp/Parts**. The entry for this screen is the same for the AGI and SAM methods.

- 1) Scroll down under the Partnership section to line 9, "Multiplied by Ownership Percentage." Change percentage of ownership to 75% by double-clicking in the field that currently reads 50% and type in 75%. Press enter and notice the totals change across YTD, 2008 and 2007 data fields. Go back and change it to 50% and press enter.
- 2) Continue to scroll down through this screen and notice that you have the ability to enter income for Partnerships, S Corporations and Regular Corporations.

The Calculator Function

Place your cursor on any blank field. Press the **Calculator** push button. The calculator window will appear. This function allows you to add or subtract up to 5 numbers for any entry line. Use the minus sign before a number to subtract it. When you press **Copy**, the total is placed on the selected line. Try it.

Delete the amount just entered by double-clicking on the number in that field and pressing the delete key and then press enter.

Saving Changes to an Existing File

- 1) You should now save the barnes09.seb file by clicking on the **File** pull-down menu and choosing **Save-As**.
(A pop-up window appears explaining and prompting the user that additional information may be necessary to accurately complete this analysis. These types of checks and balances continue throughout the program to assist you in your analysis. Click OK to continue.)
A program prompt will ask you if you wish to save the **barnes09.seb file**. If you wish to change the file name, simply type in the new name (all files will automatically be followed with the suffix **.seb**, like the Barnes case study).
- 2) For this example, click **OK**.
The program asks "Replace existing file?" Selecting **Yes** will save the new data; however, the old barnes09.seb file will no longer be available. Selecting **No** will return you to the **Save As** screen where you may rename the file. This will leave the old barnes09.seb file intact.
- 3) For this example, select **Yes** to replace the old file. The program will then automatically return you to the worksheet.

The Variance Summary Screen

Select **Variance Summary** from the **Window** pull-down menu. The summary screen will list variances found for each method used. This screen, along with the worksheet, will be included in the printing of your file. Click on **OK** to exit the **Variance Summary** screen.

The Analysis Summary Screen

Click on the **Summary** push button. This screen provides a summary of the income from both cash flow methods and partnerships and corporations. Take a few minutes to scroll through this screen and review the breakdowns.

You will see that in this case a 28-, 24- and 16-month average has been provided under each method. The program has automatically figured in the year-to-date data and averaged over the appropriate number of months. To exit this screen, click on the push button for the method you are using.

As you now know, MGIC's software will compute year-to-date averages in both AGI and SAM methods. Each of these methods will produce different results. Although each method is generally acceptable, we recommend that you use the SAM method when you're working with year-to-date income because it is more accurate. Below is a description of how each method determines its results.

AGI Method: When averaging income using year-to-date figures, MGIC's software computes a straight average of the total income over the time period you have specified. Because of this straight average, income (or losses) for which you have supplied only 24 months of data will be averaged over the longer period of time. Both income and losses may be understated.

SAM Method: Because each source of income is broken down separately, MGIC's software is able to compute a "blended" average, meaning that the software averages income over the time period for which data is available.

For example, in the Barnes case study, Recurring Interest Income has been reported for 2007 and 2008. The program will average this income over 24 months. However, in the Schedule C section, Net Profit for the first four months of 2009 has been supplied in addition to 2007 and 2008 annual totals. The program will average this income over 28 months.

These individual averages will be added together — blended — to give what we have labeled a Calculated Average.

Important

Underwriting guidelines vary greatly. Check with your underwriter or investor before using income from year-to-date Profit and Loss statements to qualify your borrower.

These factors should affect your decision:

- 1) An audited Profit and Loss statement is preferred.
- 2) The annualized year-to-date earnings should be in line with previous years' tax returns.
- 3) Any significant increase or decrease in income should be satisfactorily explained and documented.
- 4) When in doubt, don't use it.

Printing the Worksheets

Simply click on the **Print** push button. A **Print** window will appear. Click on **OK** to send your file to the printer.

Note: Unlike the view on your screen, on the printout, negative numbers will be indicated with parentheses or a minus sign.

Saving an Analysis

When you have finished your analysis, don't forget to **Save**. Analyses are automatically saved to the folder where the *Self-Employed Borrower* program was installed. If you want your analyses saved to a different folder, go to the **File** menu, choose **Preferences** and select the drive/folder where you wish your analyses to be saved. Click on **OK**. The program will automatically default to the new folder when the **Save**, **Save As** or **Open** functions are used.

Exiting the System

To exit, click on the **Exit** push button. You will be asked if you want to leave the program. If so, click on **Yes** and you will be returned to your Desktop.

Case Study Tax Returns

B&B Tanning
Income Statement
Four Months Ended April 30, 2009
(See Accountant's Compilation Report)

Gross Income		\$30,000
Expenses		
Wages	5,000	
Guaranteed Payments to Partners	14,000	
Depreciation	1,700	
Rent	3,000	
Repairs and Maintenance	1,500	
Licenses	300	25,500
Income (Loss) before Other Income (Expenses)	<u> </u>	4,500
Other Income (Expenses)		
Interest Expense		(300)
Net Income (Loss)		<u> </u> <u> </u> <u> </u>

Sarah B. Barnes – Manicurist
Income Statement
Four Months Ended April 30, 2009
(See Accountant's Compilation Report)

Gross Income		\$15,200
Expenses		
Advertising	\$170	
Vehicle Expense	520	
Depreciation	1,000	
Insurance	200	
Legal and Professional Services	100	
Supplies	450	
Meals and Entertainment	450	
Utilities	<u>850</u>	3,740
Income (Loss) before Other Income (Expenses)		<u>11,460</u>
Other Income (Expenses)		
Interest Expense		<u>(1,900)</u>
Net Income (Loss)		<u> </u> <u> </u> <u> </u>

Form **1040** U.S. Individual Income Tax Return **2008**

Department of the Treasury — Internal Revenue Service

(99) IRS Use Only — Do not write or staple in this space.

Label (See instructions.) Use the IRS label. Otherwise, please print or type. Presidential Election Campaign	For the year Jan 1 - Dec 31, 2008, or other tax year beginning , 2008, ending , 20	OMB No. 1545-0074
	Your first name MI Last name William A Barnes	Your social security number 000-00-0000
	If a joint return, spouse's first name MI Last name Sarah B Barnes	Spouse's social security number 000-00-0000
	Home address (number and street). If you have a P.O. box, see instructions. Apartment no. 8365 Oakhurst Dr	You must enter your social security number(s) above.
	City, town or post office. If you have a foreign address, see instructions. State ZIP code Anytown US 66666	
<input type="checkbox"/> Check here if you, or your spouse if filing jointly, want \$3 to go to this fund? (see instructions) <input type="checkbox"/> You <input type="checkbox"/> Spouse		Checking a box below will not change your tax or refund.

Filing Status

1 Single

2 Married filing jointly (even if only one had income)

3 Married filing separately. Enter spouse's SSN above & 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 (see instructions)

Exemptions

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

b Spouse

c Dependents:		(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if qualifying child for child tax credit (see instrs)	No. of children on 6c who: • lived with you • did not live with you due to divorce or separation (see instrs)
(1) First name	Last name				
Billy	Barnes	111-11-1111	Son	<input checked="" type="checkbox"/>	1
				<input type="checkbox"/>	
				<input type="checkbox"/>	
				<input type="checkbox"/>	

d Total number of exemptions claimed **3**

Income

7 Wages, salaries, tips, etc. Attach Form(s) W-2	7	40,000.
8a Taxable interest. Attach Schedule B if required	8a	2,000.
b Tax-exempt interest. Do not include on line 8a	8b	
9a Ordinary dividends. Attach Schedule B if required	9a	500.
b Qualified dividends (see instrs)	9b	500.
10 Taxable refunds, credits, or offsets of state and local income taxes (see instructions)	10	
11 Alimony received.	11	
12 Business income or (loss). Attach Schedule C or C-EZ	12	25,400.
13 Capital gain or (loss). Att Sch D if reqd. If not reqd, ck here	13	10,000.
14 Other gains or (losses). Attach Form 4797	14	
15a IRA distributions	15a	
b Taxable amount (see instrs)	15b	
16a Pensions and annuities	16a	
b Taxable amount (see instrs)	16b	
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	20,000.
18 Farm income or (loss). Attach Schedule F	18	
19 Unemployment compensation	19	
20a Social security benefits	20a	
b Taxable amount (see instrs)	20b	
21 Other income	21	
22 Add the amounts in the far right column for lines 7 through 21. This is your total income	22	97,900.

Adjusted Gross Income

23 Educator expenses (see instructions)	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 One-half of self-employment tax. Attach Schedule SE	27	3,500.
28 Self-employed SEP, SIMPLE, and qualified plans	28	
29 Self-employed health insurance deduction (see instructions)	29	
30 Penalty on early withdrawal of savings	30	
31a Alimony paid b Recipient's SSN	31a	
32 IRA deduction (see instructions)	32	300.
33 Student loan interest deduction (see instructions)	33	
34 Tuition and fees deduction. Attach Form 8917	34	
35 Domestic production activities deduction. Attach Form 8903	35	
36 Add lines 23 - 31a and 32 - 35	36	3,800.
37 Subtract line 36 from line 22. This is your adjusted gross income	37	94,100.

Tax and Credits 38 Amount from line 37 (adjusted gross income) 38 94,100.
 39a Check You were born before January 2, 1944, Blind. Total boxes
 if: Spouse was born before January 2, 1944, Blind. checked ▶ 39a

Standard Deduction for —
 • People who checked any box on line 39a, 39b, or 39c or who can be claimed as a dependent, see instructions.
 • All others:
 Single or Married filing separately, \$5,450
 Married filing jointly or Qualifying widow(er), \$10,900
 Head of household, \$8,000

b If your spouse itemizes on a separate return, or you were a dual-status alien, see instrs and ck here ▶ 39b
 c Check if standard deduction includes real estate taxes or disaster loss (see instructions) ▶ 39c
 40 Itemized deductions (from Schedule A) or your standard deduction (see left margin) 40 10,900.
 41 Subtract line 40 from line 38 41 83,200.
 42 If line 38 is over \$119,975, or you provided housing to a Midwestern displaced individual, see instructions. Otherwise, multiply \$3,500 by the total number of exemptions claimed on line 6d 42 10,500.
 43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- 43 72,700.
 44 Tax (see instrs). Check if any tax is from: a Form(s) 8814 b Form 4972 44 9,671.
 45 Alternative minimum tax (see instructions). Attach Form 6251 45
 46 Add lines 44 and 45 ▶ 46 9,671.
 47 Foreign tax credit. Attach Form 1116 if required 47
 48 Credit for child and dependent care expenses. Attach Form 2441 48
 49 Credit for the elderly or the disabled. Attach Schedule R 49
 50 Education credits. Attach Form 8863 50
 51 Retirement savings contributions credit. Attach Form 8880 51
 52 Child tax credit (see instructions). Attach Form 8901 if required 52 1,000.
 53 Credits from Form: a 8396 b 8839 c 5695 53
 54 Other crs from Form: a 3800 b 8801 c 54
 55 Add lines 47 through 54. These are your total credits 55 1,000.
 56 Subtract line 55 from line 46. If line 55 is more than line 46, enter -0- ▶ 56 8,671.
 57 Self-employment tax. Attach Schedule SE 57 7,051.
 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
 60 Additional taxes: a AEIC payments b Household employment taxes. Attach Schedule H 60
 61 Add lines 56-60. This is your total tax ▶ 61 15,722.

Other Taxes
 62 Federal income tax withheld from Forms W-2 and 1099 62 15,000.
 63 2008 estimated tax payments and amount applied from 2007 return 63 7,000.
 64a Earned income credit (EIC). 64a
 b Nontaxable combat pay election . . . ▶ 64b
 65 Excess social security and tier 1 RRTA tax withheld (see instructions) 65
 66 Additional child tax credit. Attach Form 8812 66
 67 Amount paid with request for extension to file (see instructions) 67
 68 Credits from Form: a 2439 b 4136 c 8801 d 8885 68
 69 First-time homebuyer credit. Attach Form 5405 69
 70 Recovery rebate credit (see worksheet) 70 0.
 71 Add lines 62 through 70. These are your total payments ▶ 71 22,000.

Payments
 If you have a qualifying child, attach Schedule EIC.
 72 If line 71 is more than line 61, subtract line 61 from line 71. This is the amount you overpaid 72 6,278.
 73a Amount of line 72 you want refunded to you. If Form 8888 is attached, check here . . ▶ 73a 6,278.
 ▶ b Routing number XXXXXXXXXXXX ▶ c Type: Checking Savings
 ▶ d Account number XXXXXXXXXXXXXXXXXXXX
 74 Amount of line 72 you want applied to your 2009 estimated tax ▶ 74
 75 Amount you owe. Subtract line 71 from line 61. For details on how to pay, see instructions ▶ 75
 76 Estimated tax penalty (see instructions) 76

Refund
 Direct deposit? See instructions and fill in 73b, 73c, and 73d or Form 8888.
 75 Amount you owe. Subtract line 71 from line 61. For details on how to pay, see instructions ▶ 75
 76 Estimated tax penalty (see instructions) 76

Amount You Owe
 75 Amount you owe. Subtract line 71 from line 61. For details on how to pay, see instructions ▶ 75
 76 Estimated tax penalty (see instructions) 76

Third Party Designee Do you want to allow another person to discuss this return with the IRS (see instructions)? Yes. Complete the following. 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 complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
 Your signature _____ Date _____ Your occupation **Engineer** Daytime phone number _____
 Spouse's signature. If a joint return, both must sign. _____ Date _____ Spouse's occupation **Manicurist**

Paid Preparer's Use Only Preparer's signature _____ Date _____ Check if self-employed Preparer's SSN or PTIN _____
 Firm's name (or yours if self-employed), address, and ZIP code **Self-Prepared** EIN _____ Phone no. _____

SCHEDULE C
(Form 1040)

Profit or Loss From Business
(Sole Proprietorship)

OMB No. 1545-0074

2008

Attachment
Sequence No. **09**

Department of the Treasury
Internal Revenue Service (99)

► **Partnerships, joint ventures, etc., generally must file Form 1065 or 1065-B.**
► **Attach to Form 1040, 1040NR, or 1041.** ► **See Instructions for Schedule C (Form 1040).**

Name of proprietor Sarah B Barnes		Social security number (SSN) 000-00-0000
A Principal business or profession, including product or service (see instructions) Manicurist	B Enter code from instructions ▶	
C Business name. If no separate business name, leave blank.	D Employer ID number (EIN), if any	
E Business address (including suite or room no.) ▶ 2708 Elm St. City, town or post office, state, and ZIP code Anytown, US 66666		
F Accounting method: (1) <input checked="" type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ▶		
G Did you 'materially participate' in the operation of this business during 2008? If 'No,' see instructions for limit on losses <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
H If you started or acquired this business during 2008, check here ▶		

Part I Income		
1 Gross receipts or sales. Caution. See the instructions 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, or • You are a member of a qualified joint venture reporting only rental real estate income not subject to self-employment tax. Also see instructions for limit on losses <input type="checkbox"/>	1	41,500.
2 Returns and allowances	2	
3 Subtract line 2 from line 1	3	41,500.
4 Cost of goods sold (from line 42 on page 2)	4	
5 Gross profit. Subtract line 4 from line 3	5	41,500.
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	41,500.

Part II Expenses. Enter expenses for business use of your home only on line 30.					
8 Advertising	8	500.	18 Office expense	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	1,500.
12 Depletion	12		b Other business property	20b	
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	3,000.	21 Repairs and maintenance	21	
14 Employee benefit programs (other than on line 19)	14		22 Supplies (not included in Part III)	22	1,200.
15 Insurance (other than health)	15	500.	23 Taxes and licenses	23	
16 Interest:			24 Travel, meals, and entertainment:		
a Mortgage (paid to banks, etc)	16a	6,000.	a Travel	24a	
b Other	16b		b Deductible meals and entertainment (see instructions)	24b	600.
17 Legal & professional services	17	300.	25 Utilities	25	2,500.
28 Total expenses before expenses for business use of home. Add lines 8 through 27 ▶	28	16,100.	26 Wages (less employment credits)	26	
29 Tentative profit or (loss). Subtract line 28 from line 7	29	25,400.	27 Other expenses (from line 48 on page 2)	27	
30 Expenses for business use of your home. Attach Form 8829	30				
31 Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Form 1040, line 12 , and Schedule SE, line 2 or on Form 1040NR, line 13 (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	25,400.
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 , and Schedule SE, line 2 , or on Form 1040NR, line 13 (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	<input type="checkbox"/> All investment is at risk.
				32b	<input type="checkbox"/> Some investment is not at risk.

SCHEDULE D

(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Capital Gains and Losses

▶ Attach to Form 1040 or Form 1040NR. ▶ See Instructions for Schedule D (Form 1040).
▶ Use Schedule D-1 to list additional transactions for lines 1 and 8.

OMB No. 1545-0074

2008

Attachment
Sequence No. **12**

Name(s) shown on return

William A & Sarah B Barnes

Your social security number

000-00-0000

Part I Short-Term Capital Gains and Losses – Assets Held One Year or Less

(a) Description of property (Example: 100 shares XYZ Co)	(b) Date acquired (Mo, day, yr)	(c) Date sold (Mo, day, yr)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain or (loss) Subtract (e) from (d)
1					
2 Enter your short-term totals, if any, from Schedule D-1, line 2			2		
3 Total short-term sales price amounts. Add lines 1 and 2 in column (d)			3		
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824					4
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1					5
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your Capital Loss Carryover Worksheet in the instructions					6
7 Net short-term capital gain or (loss). Combine lines 1 through 6 in column (f)					7

Part II Long-Term Capital Gains and Losses – Assets Held More Than One Year

(a) Description of property (Example: 100 shares XYZ Co)	(b) Date acquired (Mo, day, yr)	(c) Date sold (Mo, day, yr)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain or (loss) Subtract (e) from (d)
8 200 Share IBM	02/07/99	05/06/08	20,000.00	10,000.00	10,000.00
9 Enter your long-term totals, if any, from Schedule D-1, line 9			9		
10 Total long-term sales price amounts. Add lines 8 and 9 in column (d)			10	20,000.	
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824					11
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1					12
13 Capital gain distributions. See instrs					13
14 Long-term capital loss carryover. Enter the amount, if any, from line 15 of your Capital Loss Carryover Worksheet in the instructions					14
15 Net long-term capital gain or (loss). Combine lines 8 through 14 in column (f). Then go to Part III on page 2					15
					10,000.

BAA For Paperwork Reduction Act Notice, see Form 1040 or Form 1040NR instructions.

Schedule D (Form 1040) 2008

Part III Summary

16 Combine lines 7 and 15 and enter the result	16	10,000.
If line 16 is:		
<ul style="list-style-type: none"> • A gain, enter the amount from line 16 on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 17 below. • A loss, skip lines 17 through 20 below. Then go to line 21. Also be sure to complete line 22. • Zero, skip lines 17 through 21 below and enter -0- on Form 1040, line 13, or Form 1040NR, line 14. Then to go line 22. 		
17 Are lines 15 and 16 both gains?		
<input checked="" type="checkbox"/> Yes. Go to line 18.		
<input type="checkbox"/> No. Skip lines 18 through 21, and go to line 22.		
18 Enter the amount, if any, from line 7 of the 28% Rate Gain Worksheet in the instructions.	18	
19 Enter the amount, if any, from line 18 of the Unrecaptured Section 1250 Gain Worksheet in the instructions	19	
20 Are lines 18 and 19 both zero or blank?		
<input checked="" type="checkbox"/> Yes. Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Qualified Dividends and Capital Gain Tax Worksheet in the Instructions for Form 1040 (or in the Instructions for Form 1040NR). Do not complete lines 21 and 22 below.		
<input type="checkbox"/> No. Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Schedule D Tax Worksheet in the instructions. Do not complete lines 21 and 22 below.		
21 If line 16 is a loss, enter here and on Form 1040, line 13, or Form 1040NR, line 14, the smaller of:		
<ul style="list-style-type: none"> • The loss on line 16 or • (\$3,000), or if married filing separately, (\$1,500) 		
<div style="border-left: 1px solid black; border-right: 1px solid black; width: 100px; height: 15px; margin-left: 300px;"></div>		
<input type="checkbox"/> No. Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Schedule D Tax Worksheet in the instructions. Do not complete lines 21 and 22 below.		
Note. When figuring which amount is smaller, treat both amounts as positive numbers.		
22 Do you have qualified dividends on Form 1040, line 9b, or Form 1040NR, line 10b?		
<input type="checkbox"/> Yes. Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Qualified Dividends and Capital Gain Tax Worksheet in the Instructions for Form 1040 (or in the Instructions for Form 1040NR).		
<input type="checkbox"/> No. Complete the rest of Form 1040 or Form 1040NR.		

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.
▶ See Instructions for Schedule E (Form 1040).

OMB No. 1545-0074

2008

Attachment
Sequence No. **13**

Name(s) shown on return

William A & Sarah B Barnes

Your social security number

000-00-0000

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.

1	List the type and address of each rental real estate property:	2	For each rental real estate property listed on line 1, did you or your family use it during the tax year for personal purposes for more than the greater of: • 14 days, or • 10% of the total days rented at fair rental value? (See instructions.)	Yes	No
A	Rental Property 7905 Main St., Anytown, US 66666				X
B					
C					

Income:	Properties			Totals	
	A	B	C	(Add columns A, B, and C.)	
3 Rents received	3 8,500.			3	8,500.
4 Royalties received	4			4	
Expenses:					
5 Advertising	5 500.				
6 Auto and travel (see instructions)	6				
7 Cleaning and maintenance	7				
8 Commissions	8				
9 Insurance	9 500.				
10 Legal and other professional fees	10				
11 Management fees	11				
12 Mortgage interest paid to banks, etc (see instructions)	12 6,000.			12	6,000.
13 Other interest	13				
14 Repairs	14 1,000.				
15 Supplies	15				
16 Taxes	16 1,000.				
17 Utilities	17				
18 Other (list) ▶	18				
19 Add lines 5 through 18	19 9,000.			19	9,000.
20 Depreciation expense or depletion (see instructions)	20 4,000.			20	4,000.
21 Total expenses. Add lines 19 and 20 . .	21 13,000.				
22 Income or (loss) from rental real estate or royalty properties. Subtract line 21 from line 3 (rents) or line 4 (royalties). If the result is a (loss), see instructions to find out if you must file Form 6198	22 -4,500.				
23 Deductible rental real estate loss. Caution. Your rental real estate loss on line 22 may be limited. See instructions to find out if you must file Form 8582. Real estate professionals must complete line 43 on page 2	23 -4,500.				
24 Income. Add positive amounts shown on line 22. Do not include any losses	24			24	
25 Losses. Add royalty losses from line 22 and rental real estate losses from line 23. Enter total losses here	25			25	-4,500.
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			26	-4,500.

Name(s) shown on return. Do not enter name and social security number if shown on Page 1.

Your social security number

William A & Sarah B Barnes

000-00-0000

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 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? [] Yes [X] No
If you answered 'Yes,' see instructions before completing this section.

Table with 5 columns: (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. Row A: B&B Tanning, P, 00-000000.

Table with 5 columns: (f) Passive loss allowed, (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. Totals: 24,500.

Part III Income or Loss From Estates and Trusts

Table with 2 columns: (a) Name, (b) Employer ID no. Row A: []

Table with 4 columns: (c) Passive deduction or loss allowed, (d) Passive income from Schedule K-1, (e) Deduction or loss from Schedule K-1, (f) Other income from Schedule K-1. Totals: 35, 36, 37.

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

Table with 5 columns: (a) Name, (b) Employer identification number, (c) Excess inclusion from Schedules Q, line 2c, (d) Taxable income (net loss) from Schedules Q, line 1b, (e) Income from Schedules Q, line 3b. Row 39: []

Part V Summary

Summary table with 2 columns: Description, Amount. Row 40: Net farm rental income or (loss) from Form 4835. Row 41: Total income or (loss). Row 42: Reconciliation of farming and fishing income. Row 43: Reconciliation for real estate professionals.

► Keep for your records

Name
William A Barnes

Social Security Number
000-00-0000

Spouse's W-2
 Do not transfer this W-2 to next year

Military: Complete **Part VI** on Page 2 below

<p>a Employee's social security No . 000-00-0000</p> <p>b Employer's ID number 00-0000000</p> <p>c Employer's name, address, and ZIP code A&B Engineering, Inc.</p> <p>Street 1622 Elm Drive City Anytown State US ZIP Code 66666 Foreign Country _____</p> <p>d Control number _____</p> <p><input checked="" type="checkbox"/> Transfer employee information from the Federal Information Worksheet</p> <p>e Employee's name First William M.I. A Last Barnes Suff. _____</p> <p>f Employee's address and ZIP code Street 8365 Oakhurst Dr City Anytown State US ZIP Code 66666 Foreign Country _____</p>	<p>1 Wages, tips, other compensation 40,000.00</p> <p>3 Social security wages 40,000.00</p> <p>5 Medicare wages and tips 40,000.00</p> <p>7 Social security tips _____</p> <p>9 Advance EIC payment _____</p> <p>11 Nonqualified plans _____</p> <p>12 Enter box 12 below _____</p> <p>13 <input type="checkbox"/> Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay</p> <p>14 Enter box 14 below after entering boxes 18, 19, and 20. NOTE: Enter box 15 before entering box 14.</p>	<p>2 Federal income tax withheld 15,000.00</p> <p>4 Social security tax withheld 2,480.00</p> <p>6 Medicare tax withheld 580.00</p> <p>8 Allocated tips _____</p> <p>10 Dependent care benefits _____</p> <p>Distributions from sect. 457 and nonqualified plans (Important, see Help) _____</p>
--	---	---

Box 12 Code	Box 12 Amount	If Box 12 code is: A: Enter amount attributable to RRTA Tier 2 tax _____ M: Enter amount attributable to RRTA Tier 2 tax _____ P: Double click to link to Form 3903, line 4. . . _____ R: Enter MSA contribution for Taxpayer . . . _____ Spouse _____ G: <input type="checkbox"/> Employer is not a state or local government

Box 15 State	Box 16 Employer's state I.D. no.	Box 16 State wages, tips, etc.	Box 17 State income tax

Box 20 Locality name	Box 18 Local wages, tips, etc.	Box 19 Local income tax	Associated State

Box 14 Description or Code on Actual Form W-2	Amount	TurboTax Identification of Description or Code (Identify this item by selecting the identification from the drop down list. If not on the list, select Other).

**Schedule K-1
(Form 1065)**

2008

Department of the Treasury
Internal Revenue Service

For calendar year 2008, or tax
year beginning _____, 2008
ending _____, 20____

**Partner's Share of Income, Deductions,
Credits, etc.** ▶ See back of form and separate instructions.

Final K-1 Amended K-1 OMB No. 1545-0099

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items			
1	Ordinary business income (loss)	15	Credits
	4,500		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
	20,000		
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
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
12	Section 179 deduction	19	Distributions
		A	3,000
13	Other deductions	20	Other information
14	Self-employment earnings (loss)		
A	24,500		

Part I Information About the Partnership

A Partnership's employer identification number
00-0000000

B Partnership's name, address, city, state, and ZIP code
B&B Tanning

1622 N. Main St
Anywhere US 66666

C IRS Center where partnership filed return

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

Part II Information About the Partner

E Partner's identifying number
000-00-0000

F Partner's name, address, city, state, and ZIP code
Sarah A. Barnes

8365 Oakhurst Dr
Anytown US 66666

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

H Domestic partner Foreign partner

I What type of entity is this partner? Individual

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 \$ _____

L Partner's capital account analysis:

Beginning capital account \$	5,500
Capital contributed during the year . . . \$	
Current year increase (decrease) . . . \$	4,500
Withdrawals & distributions . . . \$	(3,000)
Ending capital account \$	7,000

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

*See attached statement for additional information.

For IRS Use Only

U.S. Return of Partnership Income

OMB No. 1545-0099

For calendar year 2008, or tax year beginning _____, 2008, ending _____, 20____
▶ See separate instructions.

2008

A Principal business activity	Use the IRS label. Otherwise, print or type.	Name of partnership B&B Tanning	D Employer identification number 00-0000000
B Principal product or service		Number, street, and room or suite no. If a P.O. box, see the instructions. 1622 N. Main St	E Date business started 01/01/03
C Business code number		City or town, state, and ZIP code Anywhere, US 66666	F Total assets (see the instructions) \$ 32,000

- 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 Schedule M-3 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	85,000		
	b Less returns and allowances	1b		1c	85,000
	2 Cost of goods sold (Schedule A, line 8)			2	
	3 Gross profit. Subtract line 2 from line 1c			3	85,000
	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	85,000	
Deductions (see the instructions for limitations)	9 Salaries and wages (other than to partners) (less employment credits)			9	16,000
	10 Guaranteed payments to partners			10	40,000
	11 Repairs and maintenance			11	4,500
	12 Bad debts			12	
	13 Rent			13	8,500
	14 Taxes and licenses			14	1,000
	15 Interest			15	1,000
	16a Depreciation (if required, attach Form 4562)	16a	5,000		
	b Less depreciation reported on Schedule A and elsewhere on return	16b		16c	5,000
	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	76,000
22 Ordinary business income (loss). Subtract line 21 from line 8			22	9,000	

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's Use Only

Preparer's signature _____ Date _____ Check if self-employed Preparer's SSN or PTIN _____

Firm's name (or yours if self-employed), address, and ZIP code _____ EIN _____ Phone no. _____

Schedule A Cost of Goods Sold (see the instructions)

1	Inventory at beginning of year	1
2	Purchases less cost of items withdrawn for personal use	2
3	Cost of labor	3
4	Additional section 263A costs (attach statement)	4
5	Other costs (attach statement)	5
6	Total. Add lines 1 through 5	6
7	Inventory at end of year	7
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8

- 9a Check all methods used for valuing closing inventory:
- (i) Cost as described in Regulations section 1.471-3
 - (ii) Lower of cost or market as described in Regulations section 1.471-4
 - (iii) Other (specify method used and attach explanation) ▶
- b Check this box if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) . . . ▶
- c Check this box if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶
- d Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? . . . Yes No
- e Was there any change in determining quantities, cost, or valuations between opening and closing inventory? Yes No
- If "Yes," attach explanation.

Schedule B Other Information

- 1 What type of entity is filing this return? Check the applicable box:
- | a <input type="checkbox"/> Domestic general partnership | b <input type="checkbox"/> Domestic limited partnership | <table border="1" style="width: 100px; height: 100px;"> <tr><th>Yes</th><th>No</th></tr> <tr><td style="background-color: #cccccc;"></td><td style="background-color: #cccccc;"></td></tr> <tr><td style="background-color: #cccccc;"></td><td style="background-color: #cccccc;"></td></tr> <tr><td style="background-color: #cccccc;"></td><td style="background-color: #cccccc;"></td></tr> </table> | Yes | No | | | | | | |
|---|---|---|-----|----|--|--|--|--|--|--|
| Yes | No | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| c <input type="checkbox"/> Domestic limited liability company | d <input type="checkbox"/> Domestic limited liability partnership | | | | | | | | | |
| e <input type="checkbox"/> Foreign partnership | f <input type="checkbox"/> 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), or trust 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," 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

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," complete (i) through (iv) below

(i) Name of Individual or Estate	(ii) Social Security Number or Employer Identification Number (if any)	(iii) Country of Citizenship (see instructions)	(iv) Maximum Percentage Owned in Profit, Loss, or Capital

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

				Yes	No
(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	

- 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 2008, 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 Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. If "Yes," enter the name of the foreign country. ▶
- 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 (including a disregarded entity) . ▶
- 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. ▶

Designation of Tax Matters Partner (see instructions)

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

Name of designated TMP ▶	Identifying 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	9,000
	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	40,000
	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	49,000
	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)	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 ▶	16a	
	b Gross income from all sources	16b	
	c Gross income sourced at partner level <i>Foreign gross income sourced at partnership level</i>	16c	
	d Passive category ▶ e General category ▶ f Other ▶ <i>Deductions allocated and apportioned at partner level</i>	16f	
	g Interest expense ▶ h Other ▶ <i>Deductions allocated and apportioned at partnership level to foreign source income</i>	16h	
	i Passive category ▶ j General category ▶ k Other ▶	16k	
	l Total foreign taxes (check one): ▶ Paid <input type="checkbox"/> Accrued <input type="checkbox"/>	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	49,000
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	Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash		18,000		25,000
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)				
7	Mortgage and real estate loans				
8	Other investments (attach statement)				
9a	Buildings and other depreciable assets	20,000		20,000	
b	Less accumulated depreciation	8,000	12,000	13,000	7,000
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		30,000		32,000
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				
19	Mortgages, notes, bonds payable in 1 year or more		19,000		18,000
20	Other liabilities (attach statement)				
21	Partners' capital accounts		11,000		14,000
22	Total liabilities and capital		30,000		32,000

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note. Schedule M-3 may be required instead of Schedule M-1 (see instructions).

1	Net income (loss) per books	9,000	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 \$				
b	Travel and entertainment \$		8	Add lines 6 and 7	
5	Add lines 1 through 4	9,000	9	Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5	9,000

Schedule M-2 Analysis of Partners' Capital Accounts

1	Balance at beginning of year	11,000	6	Distributions: a Cash	6,000
2	Capital contributed: a Cash		b	Property	
	b Property	9,000	7	Other decreases (itemize):	
3	Net income (loss) per books				
4	Other increases (itemize):		8	Add lines 6 and 7	6,000
5	Add lines 1 through 4	20,000	9	Balance at end of year. Subtract line 8 from line 5	14,000

Form **1040** U.S. Individual Income Tax Return **2007**

Department of the Treasury — Internal Revenue Service

IRS Use Only — Do not write or staple in this space.

Label (See instructions.) Use the IRS label. Otherwise, please print or type. Presidential Election Campaign	For the year Jan 1 - Dec 31, 2007, or other tax year beginning , 2007, ending , 20	OMB No. 1545-0074
	Your first name MI Last name William A Barnes	Your social security number 000-00-0000
	If a joint return, spouse's first name MI Last name Sarah B Barnes	Spouse's social security number 000-00-0000
	Home address (number and street). If you have a P.O. box, see instructions. Apartment no. 8365 Oakhurst Dr	You must enter your social security number(s) above.
	City, town or post office. If you have a foreign address, see instructions. State ZIP code Anytown US 66666	
<input type="checkbox"/> Check here if you, or your spouse if filing jointly, want \$3 to go to this fund? (see instructions). <input type="checkbox"/> You <input type="checkbox"/> Spouse		Checking a box below will not change your tax or refund.

Filing Status

1 Single

2 Married filing jointly (even if only one had income)

3 Married filing separately. Enter spouse's SSN above & 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 (see instructions)

Exemptions

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

b Spouse

c Dependents:		(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if qualifying child for child tax credit (see instrs)	No. of children on 6c who: • lived with you • did not live with you due to divorce or separation (see instrs)
(1) First name	Last name				
Billy	Barnes	111-11-1111	Son	<input checked="" type="checkbox"/>	1
				<input type="checkbox"/>	
				<input type="checkbox"/>	
				<input type="checkbox"/>	

d Total number of exemptions claimed **3**

Income

7 Wages, salaries, tips, etc. Attach Form(s) W-2	7	38,000.
8a Taxable interest. Attach Schedule B if required	8a	1,880.
b Tax-exempt interest. Do not include on line 8a	8b	
9a Ordinary dividends. Attach Schedule B if required	9a	1,750.
b Qualified dividends (see instrs)	9b	
10 Taxable refunds, credits, or offsets of state and local income taxes (see instructions)	10	
11 Alimony received.	11	
12 Business income or (loss). Attach Schedule C or C-EZ	12	23,500.
13 Capital gain or (loss). Att Sch D if reqd. If not reqd, ck here	13	
14 Other gains or (losses). Attach Form 4797	14	
15a IRA distributions	15a	
b Taxable amount (see instrs)	15b	
16a Pensions and annuities	16a	
b Taxable amount (see instrs)	16b	
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	18,800.
18 Farm income or (loss). Attach Schedule F	18	
19 Unemployment compensation	19	
20a Social security benefits	20a	
b Taxable amount (see instrs)	20b	
21 Other income	21	
22 Add the amounts in the far right column for lines 7 through 21. This is your total income	22	83,930.

Adjusted Gross Income

23 Educator expenses (see instructions)	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 One-half of self-employment tax. Attach Schedule SE	27	3,300.
28 Self-employed SEP, SIMPLE, and qualified plans	28	
29 Self-employed health insurance deduction (see instructions)	29	
30 Penalty on early withdrawal of savings	30	
31a Alimony paid b Recipient's SSN	31a	
32 IRA deduction (see instructions)	32	2,000.
33 Student loan interest deduction (see instructions)	33	
34 Tuition and fees deduction. Attach Form 8917	34	
35 Domestic production activities deduction. Attach Form 8903	35	
36 Add lines 23 - 31a and 32 - 35	36	5,300.
37 Subtract line 36 from line 22. This is your adjusted gross income	37	78,630.

Tax and Credits

Standard Deduction for —
 • People who checked any box on line 39a or 39b or who can be claimed as a dependent, see instructions.
 • All others:
 Single or Married filing separately, \$5,350
 Married filing jointly or Qualifying widow(er), \$10,700
 Head of household, \$7,850

38	Amount from line 37 (adjusted gross income)	38	78,630.
39a	Check <input type="checkbox"/> You were born before January 2, 1943, <input type="checkbox"/> Blind. <input type="checkbox"/> Spouse was born before January 2, 1943, <input type="checkbox"/> Blind. Total boxes checked ▶ 39a <input type="checkbox"/>		
	b If your spouse itemizes on a separate return, or you were a dual-status alien, see instrs and ck here ▶ 39b <input type="checkbox"/>		
40	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	40	10,700.
41	Subtract line 40 from line 38	41	67,930.
42	If line 38 is \$117,300 or less, multiply \$3,400 by the total number of exemptions claimed on line 6d. If line 38 is over \$117,300, see the instructions	42	10,200.
43	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	43	57,730.
44	Tax (see instrs). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/> Form(s) 8889.	44	7,876.
45	Alternative minimum tax (see instructions). Attach Form 6251	45	
46	Add lines 44 and 45	46	7,876.
47	Credit for child and dependent care expenses. Attach Form 2441	47	
48	Credit for the elderly or the disabled. Attach Schedule R	48	
49	Education credits. Attach Form 8863	49	
50	Residential energy credits. Attach Form 5695	50	
51	Foreign tax credit. Attach Form 1116 if required	51	
52	Child tax credit (see instructions). Attach Form 8901 if required	52	1,000.
53	Retirement savings contributions credit. Attach Form 8880	53	
54	Credits from: a <input type="checkbox"/> Form 8396 b <input type="checkbox"/> Form 8859 c <input type="checkbox"/> Form 8839	54	
55	Other credits: a <input type="checkbox"/> Form 3800 b <input type="checkbox"/> Form 8801 c <input type="checkbox"/> Form	55	
56	Add lines 47 through 55. These are your total credits	56	1,000.
57	Subtract line 56 from line 46. If line 56 is more than line 46, enter -0-	57	6,876.

Other Taxes

58	Self-employment tax. Attach Schedule SE	58	6,641.
59	Unreported social security and Medicare tax from: a <input type="checkbox"/> Form 4137 b <input type="checkbox"/> Form 8919	59	
60	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	60	
61	Advance earned income credit payments from Form(s) W-2, box 9	61	
62	Household employment taxes. Attach Schedule H	62	
63	Add lines 57-62. This is your total tax	63	13,517.

Payments

If you have a qualifying child, attach Schedule EIC.

64	Federal income tax withheld from Forms W-2 and 1099	64	12,000.
65	2007 estimated tax payments and amount applied from 2006 return	65	6,000.
66a	Earned income credit (EIC)	66a	
	b Nontaxable combat pay election ▶ 66b		
67	Excess social security and tier 1 RRTA tax withheld (see instructions)	67	
68	Additional child tax credit. Attach Form 8812	68	
69	Amount paid with request for extension to file (see instructions)	69	
70	Payments from: a <input type="checkbox"/> Form 2439 b <input type="checkbox"/> Form 4136 c <input type="checkbox"/> Form 8885	70	
71	Refundable credit for prior year minimum tax from Form 8801, line 27.	71	
72	Add lines 64, 65, 66a, and 67 through 71. These are your total payments	72	18,000.

Refund

Direct deposit? See instructions and fill in 74b, 74c, and 74d or Form 8888.

73	If line 72 is more than line 63, subtract line 63 from line 72. This is the amount you overpaid	73	4,483.
74a	Amount of line 73 you want refunded to you. If Form 8888 is attached, check here ▶ <input type="checkbox"/>	74a	4,483.
	▶ b Routing number XXXXXXXXXX ▶ c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
	▶ d Account number XXXXXXXXXXXXXXXXXXXX		
75	Amount of line 73 you want applied to your 2008 estimated tax	75	

Amount You Owe

76	Amount you owe. Subtract line 72 from line 63. For details on how to pay, see instructions	76	
77	Estimated tax penalty (see instructions)	77	

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? Yes. Complete the following. 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 complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instructions. ▶	Your signature _____	Date _____	Your occupation Engineer	Daytime phone number _____
Keep a copy for your records. ▶	Spouse's signature. If a joint return, both must sign. _____	Date _____	Spouse's occupation Manicurist	

Paid Preparer's Use Only

Preparer's signature ▶	Date _____	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN _____
Firm's name (or yours if self-employed), address, and ZIP code ▶	Self-Prepared		EIN _____
			Phone no. _____

SCHEDULE C
(Form 1040)

Profit or Loss From Business
(Sole Proprietorship)

OMB No. 1545-0074

2007

Attachment
Sequence No. **09**

Department of the Treasury
Internal Revenue Service (99)

► **Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.**
► **Attach to Form 1040, 1040NR, or 1041.** ► **See Instructions for Schedule C (Form 1040).**

Name of proprietor Sarah B Barnes		Social security number (SSN) 000-00-0000
A Principal business or profession, including product or service (see instructions) Manicurist	B Enter code from instructions ►	
C Business name. If no separate business name, leave blank.	D Employer ID number (EIN), if any	
E Business address (including suite or room no.) ► 2708 Elm St. City, town or post office, state, and ZIP code Anytown, US 66666		
F Accounting method: (1) <input checked="" type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ►		
G Did you 'materially participate' in the operation of this business during 2007? If 'No,' see instructions for limit on losses <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
H If you started or acquired this business during 2007, check here ►		

Part I Income		
1 Gross receipts or sales. Caution. If this income was reported to you on Form W-2 and the 'Statutory employee' box on that form was checked, see the instructions and check here ► <input type="checkbox"/>	1	39,000.
2 Returns and allowances	2	
3 Subtract line 2 from line 1.	3	39,000.
4 Cost of goods sold (from line 42 on page 2).	4	
5 Gross profit. Subtract line 4 from line 3	5	39,000.
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	39,000.

Part II Expenses. Enter expenses for business use of your home only on line 30.					
8 Advertising	8	200.	18 Office expense	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	1,500.
12 Depletion	12		b Other business property	20b	
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	3,000.	21 Repairs and maintenance	21	
14 Employee benefit programs (other than on line 19)	14		22 Supplies (not included in Part III)	22	1,000.
15 Insurance (other than health)	15	300.	23 Taxes and licenses	23	
16 Interest:			24 Travel, meals, and entertainment:		
a Mortgage (paid to banks, etc)	16a	6,300.	a Travel	24a	
b Other	16b		b Deductible meals and entertainment (see instructions)	24b	500.
17 Legal & professional services	17	300.	25 Utilities	25	2,400.
28 Total expenses before expenses for business use of home. Add lines 8 through 27 in columns. ►	28		26 Wages (less employment credits)	26	
29 Tentative profit (loss). Subtract line 28 from line 7.	29		27 Other expenses (from line 48 on page 2)	27	
30 Expenses for business use of your home. Attach Form 8829	30		31		23,500.
31 Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Form 1040, line 12 , and Schedule SE, line 2 or on Form 1040NR, line 13 (statutory employees, see instructions). Estates and trusts, enter on Form 1041, line 3. • If a loss, you must go to line 32.					
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 , and Schedule SE, line 2 , or on Form 1040NR, line 13 (statutory employees, see 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 <input type="checkbox"/> All investment is at risk.		
			32b <input type="checkbox"/> Some investment is not at risk.		

BAA For Paperwork Reduction Act Notice, see Form 1040 instructions. Schedule C (Form 1040) 2007

SCHEDULE E

(Form 1040)

Department of the Treasury
Internal Revenue Service

Supplemental Income and Loss

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

- ▶ Attach to Form 1040, 1040NR, or Form 1041.
- ▶ See Instructions for Schedule E (Form 1040).

OMB No. 1545-0074

2007

Attachment
Sequence No. **13**

Name(s) shown on return

William A & Sarah B Barnes

Your social security number

000-00-0000

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.

1	List the type and location of each rental real estate property :	2		Yes	No
A	Rental Property 7905 Main St., Anytown, US 66666	For each rental real estate property listed on line 1, did you or your family use it during the tax year for personal purposes for more than the greater of: • 14 days, or • 10% of the total days rented at fair rental value? (See instructions.)	A		X
B			B		
C			C		

Income:	Properties			Totals	
	A	B	C	(Add columns A, B, and C.)	
3 Rents received	3 8,000.			3	8,000.
4 Royalties received	4			4	
Expenses:					
5 Advertising	5 200.				
6 Auto and travel (see instructions)	6				
7 Cleaning and maintenance	7				
8 Commissions	8				
9 Insurance	9 500.				
10 Legal and other professional fees	10				
11 Management fees	11				
12 Mortgage interest paid to banks, etc (see instructions)	12 6,000.			12	6,000.
13 Other interest	13				
14 Repairs	14 1,000.				
15 Supplies	15				
16 Taxes	16				
17 Utilities	17 1,000.				
18 Other (list) ▶	18				
19 Add lines 5 through 18	19 8,700.			19	8,700.
20 Depreciation expense or depletion (see instructions)	20 4,000.			20	4,000.
21 Total expenses. Add lines 19 and 20	21 12,700.				
22 Income or (loss) from rental real estate or royalty properties. Subtract line 21 from line 3 (rents) or line 4 (royalties). If the result is a (loss), see instructions to find out if you must file Form 6198	22 -4,700.				
23 Deductible rental real estate loss. Caution. Your rental real estate loss on line 22 may be limited. See instructions to find out if you must file Form 8582. Real estate professionals must complete line 43 on page 2	23 -4,700.				
24 Income. Add positive amounts shown on line 22. Do not include any losses	24			24	
25 Losses. Add royalty losses from line 22 and rental real estate losses from line 23. Enter total losses here	25			25	-4,700.
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			26	-4,700.

Name(s) shown on return. Do not enter name and social security number if shown on Page 1.

Your social security number

William A & Sarah B Barnes

000-00-0000

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 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? [] Yes [X] No
If you answered 'Yes,' see instructions before completing this section.

Table with 5 columns: (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. Row A: B&B Tanning, P, [], 00-000000, [].

Table with 5 columns: (f) Passive loss allowed, (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. Totals: 23,500.

Part III Income or Loss From Estates and Trusts

Table with 2 columns: (a) Name, (b) Employer ID no. Row A: [], [].

Table with 4 columns: (c) Passive deduction or loss allowed, (d) Passive income from Schedule K-1, (e) Deduction or loss from Schedule K-1, (f) Other income from Schedule K-1. Totals: [].

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

Table with 5 columns: (a) Name, (b) Employer identification number, (c) Excess inclusion from Schedules Q, line 2c, (d) Taxable income (net loss) from Schedules Q, line 1b, (e) Income from Schedules Q, line 3b. Row 39: [], [], [], [], [].

Part V Summary

Summary table with 2 columns: Description, Amount. Row 40: Net farm rental income or (loss) from Form 4835. Row 41: Total income or (loss). Row 42: Reconciliation of farming and fishing income. Row 43: Reconciliation for real estate professionals.

► Keep for your records

Name
William A Barnes

Social Security Number
000-00-0000

Spouse's W-2
 Do not transfer this W-2 to next year

Military: Complete **Part VI** on Page 2 below

<p>a Employee's social security No . 000-00-0000</p> <p>b Employer's ID number 00-0000000</p> <p>c Employer's name, address, and ZIP code <u>A&B Engineering, Inc.</u></p> <p>Street <u>1622 Elm Drive</u> City <u>Anytown</u> State <u>US</u> ZIP Code <u>66666</u> <input type="checkbox"/> Employer has foreign address (see Help)</p> <p>d Control number</p> <p><input checked="" type="checkbox"/> Transfer employee information from the Federal Information Worksheet</p> <p>e Employee's name First <u>William</u> M.I. <u>A</u> Last <u>Barnes</u> Suff. _____</p> <p>f Employee's address and ZIP code Street <u>8365 Oakhurst Dr</u> City <u>Anytown</u> State <u>US</u> ZIP Code <u>66666</u> <input type="checkbox"/> Employee has foreign address (see Help)</p>	<p>1 Wages, tips, other compensation <u>38,000.00</u></p> <p>3 Social security wages <u>38,000.00</u></p> <p>5 Medicare wages and tips <u>38,000.00</u></p> <p>7 Social security tips _____</p> <p>9 Advance EIC payment _____</p> <p>11 Nonqualified plans _____</p> <p>12 Enter box 12 below _____</p> <p>13 <input type="checkbox"/> Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay</p> <p>14 Enter box 14 below after entering boxes 18, 19, and 20. NOTE: Enter box 15 before entering box 14.</p>	<p>2 Federal income tax withheld <u>12,000.00</u></p> <p>4 Social security tax withheld <u>2,356.00</u></p> <p>6 Medicare tax withheld <u>551.00</u></p> <p>8 Allocated tips _____</p> <p>10 Dependent care benefits _____</p> <p>Distributions from sect. 457 and nonqualified plans (Important, see Help) _____</p>
--	--	--

Box 12 Code	Box 12 Amount	If Box 12 code is: A: Enter amount attributable to RRTA Tier 2 tax _____ M: Enter amount attributable to RRTA Tier 2 tax _____ P: Double click to link to Form 3903, line 4. . . _____ R: Enter MSA contribution for Taxpayer . . . _____ Spouse _____ G: <input type="checkbox"/> Employer is not a state or local government
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Box 15 State	Box 16 Employer's state I.D. no.	Box 16 State wages, tips, etc.	Box 17 State income tax

Box 20 Locality name	Box 18 Local wages, tips, etc.	Box 19 Local income tax	Associated State

Box 14 Description or Code on Actual Form W-2	Amount	TurboTax Identification of Description or Code (Identify this item by selecting the identification from the drop down list. If not on the list, select Other).

**Schedule K-1
(Form 1065)**

2007

Department of the Treasury
Internal Revenue Service

For calendar year 2007, or tax
year beginning _____, 2007
ending _____, 20__

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

▶ See back of form and separate instructions.

Final K-1

Amended K-1

OMB No. 1545-0099

Part I Information About the Partnership

A Partnership's employer identification number
00-0000000

B Partnership's name, address, city, state, and ZIP code
B&B TANNING

1622 N. MAIN ST.
ANYWHERE US 66666

C IRS Center where partnership filed return

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

Part II Information About the Partner

E Partner's identifying number
000-00-0000

F Partner's name, address, city, state, and ZIP code
SARAH A. BARNES

8365 OAKHURST DR.
ANYTOWN US 66666

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

H Domestic partner Foreign partner

I What type of entity is this partner? Individual

J Partner's share of profit, loss, and capital:

	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 \$ _____

L Partner's capital account analysis:

Beginning capital account	\$ _____	5,000
Capital contributed during the year	\$ _____	
Current year increase (decrease)	\$ _____	3,500
Withdrawals & distributions	\$ (_____)	3,000
Ending capital account	\$ _____	5,500

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

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

1	Ordinary business income (loss)	15	Credits	
				3,500
2	Net rental real estate income (loss)			
3	Other net rental income (loss)	16	Foreign transactions	
4	Guaranteed payments			20,000
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	
9b	Collectibles (28%) gain (loss)			
9c	Unrecaptured section 1250 gain			
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses	
11	Other income (loss)			
12	Section 179 deduction	19	Distributions	3,000
13	Other deductions	A		
14	Self-employment earnings (loss)	20	Other information	
A				23,500

*See attached statement for additional information.

For IRS Use Only

U.S. Return of Partnership Income

OMB No. 1545-0099

For calendar year 2007, or tax year beginning _____, 2007, ending _____, 20____. **See separate instructions.**

2007

A Principal business activity	Use the IRS label. Otherwise, print or type.	Name of partnership B&B TANNING	D Employer identification number 00-0000000
B Principal product or service		Number, street, and room or suite no. If a P.O. box, see the instructions. 1622 N. MAIN ST.	E Date business started 01/01/03
C Business code number		City or town, state, and ZIP code ANYWHERE, US 66666	F Total assets (see the instructions) \$ 30,000

- G** Check applicable boxes: (1) Initial return (2) Final return (3) Name change (4) Address change (5) Amended return
- H** Check accounting method: (1) Cash (2) Accrual (3) Other (specify) _____
- I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year _____
- J** Check if Schedule M-3 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	80,000		
	b Less returns and allowances	1b		1c	80,000
	2 Cost of goods sold (Schedule A, line 8)			2	
	3 Gross profit. Subtract line 2 from line 1c			3	80,000
	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	80,000	
Deductions (see the instructions for limitations)	9 Salaries and wages (other than to partners) (less employment credits)			9	15,000
	10 Guaranteed payments to partners			10	40,000
	11 Repairs and maintenance			11	3,000
	12 Bad debts			12	
	13 Rent			13	8,000
	14 Taxes and licenses			14	1,000
	15 Interest			15	1,000
	16a Depreciation (if required, attach Form 4562)	16a	5,000		
	b Less depreciation reported on Schedule A and elsewhere on return	16b		16c	5,000
	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	73,000
22 Ordinary business income (loss). Subtract line 21 from line 8			22	7,000	

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's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code	EIN	Phone no.	

Schedule A Cost of Goods Sold (see the instructions)

1	Inventory at beginning of year	1
2	Purchases less cost of items withdrawn for personal use	2
3	Cost of labor	3
4	Additional section 263A costs (attach statement)	4
5	Other costs (attach statement)	5
6	Total. Add lines 1 through 5	6
7	Inventory at end of year	7
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8

9a Check all methods used for valuing closing inventory:

- (i) Cost as described in Regulations section 1.471-3
- (ii) Lower of cost or market as described in Regulations section 1.471-4
- (iii) Other (specify method used and attach explanation) ▶

- b** Check this box if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) . . . ▶
- c** Check this box if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶
- d** Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? . . . Yes No
- e** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? Yes No
If "Yes," attach explanation.

Schedule B Other Information

	Yes	No
1 What type of entity is filing this return? Check the applicable box:		
a <input type="checkbox"/> Domestic general partnership		
b <input type="checkbox"/> Domestic limited partnership		
c <input type="checkbox"/> Domestic limited liability company		
d <input type="checkbox"/> Domestic limited liability partnership		
e <input type="checkbox"/> Foreign partnership		
f <input type="checkbox"/> Other ▶		
2 Are any partners in this partnership also partnerships?		
3 During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations section 301.7701-2 and 301.7701-3? If "Yes," see instructions for required attachment		
4 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 .		
5 Does this partnership meet all three of the following requirements?		
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 \$600,000; and		
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		
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.		
6 Does this partnership have any foreign partners? If "Yes," the partnership may have to file Forms 8804, 8805 and 8813. See the instructions		
7 Is this partnership a publicly traded partnership as defined in section 469(k)(2)?		
8 Has this partnership filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?		
9 At any time during calendar year 2007, 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 Form TD F 90-22.1. If "Yes," enter the name of the foreign country. ▶		
10 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. See the instructions		
11 Was there a distribution of property or a transfer (for example, by sale or death) of a partnership interest during the tax year? If "Yes," you may elect to adjust the basis of the partnership's assets under section 754 by attaching the statement described under <i>Elections Made By the Partnership</i> in the instructions		
12 Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return ▶		

Designation of Tax Matters Partner (see the instructions)

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

Name of designated TMP ▶	Identifying 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	7,000
	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	40,000
	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	47,000
	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)	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 ▶	16b	
	b Gross income from all sources	16c	
	c Gross income sourced at partner level		
	<i>Foreign gross income sourced at partnership level</i>		
	d Passive category ▶ e General category ▶ f Other ▶	16f	
	<i>Deductions allocated and apportioned at partner level</i>		
	g Interest expense ▶ h Other ▶	16h	
	<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
	i Passive category ▶ j General category ▶ k Other ▶	16k	
	l Total foreign taxes (check one): ▶ Paid <input type="checkbox"/> Accrued <input type="checkbox"/>	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	47,000
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	Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash		13,000		18,000
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)				
7	Mortgage and real estate loans				
8	Other investments (attach statement)				
9a	Buildings and other depreciable assets	20,000		20,000	
b	Less accumulated depreciation	3,000	17,000	8,000	12,000
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		30,000		30,000
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				
19	Mortgages, notes, bonds payable in 1 year or more		20,000		19,000
20	Other liabilities (attach statement)				
21	Partners' capital accounts		10,000		11,000
22	Total liabilities and capital		30,000		30,000

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note. Schedule M-3 may be required instead of Schedule M-1 (see instructions).

1 Net income (loss) per books	7,000	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	7,000
5 Add lines 1 through 4	7,000		

Schedule M-2 Analysis of Partners' Capital Accounts

1 Balance at beginning of year	10,000	6 Distributions: a Cash	
2 Capital contributed: a Cash		b Property	6,000
b Property		7 Other decreases (itemize):	
3 Net income (loss) per books	7,000	8 Add lines 6 and 7	6,000
4 Other increases (itemize):		9 Balance at end of year. Subtract line 8 from line 5	11,000
5 Add lines 1 through 4	17,000		

Self Employed Borrower - Analysis Summary

Mar 18, 2009 MGIC

Borrower's and Co-Borrower's Name

Barnes

Adjusted Gross Income Method - AGI	4 Mths 2009	2008	2007
Primary Qualifying Income (1040 Analysis)			
AGI Method	19,660	53,800	50,680
Monthly Avg	4,915	4,483	4,223
28 Month Avg (2007-2009 YTD):			
	4,434		
24 Month Avg (2007-2008):			
	4,353		
16 Month Avg (2008-2009 YTD):			
	4,591		

Schedule Analysis Method - SAM

Primary Qualifying Income (1040 Analysis)			
SAM Method	19,660	53,800	50,680
Monthly Avg - Actual	4,915	4,483	4,223
Monthly Avg - Calculated	5,027*		
28 Month Avg - Calculated ('07-'09 YTD):			
	4,450*		
24 Month Avg (2007-2008):			
	4,353		
16 Month Avg - Calculated ('08-'09 YTD):			
	4,623**		

Corporations and Partnerships

Secondary Income Sources:

(Some or all of this income may be available for qualifying purposes. Consult your underwriting guidelines.)

Partnership Subtotal	850	2,500	2,500
S Corporation Subtotal			
Regular Corporation Subtotal			
Corporation and Partnership Total	850	2,500	2,500
Monthly Avg - Actual	213	208	208
Monthly Avg - Calculated	213*		

* If 2009 YTD line items are missing the Avg 2007-2008 value is used.

** If 2009 YTD line items are missing the 2008 value is used.

See documentation for further explanation.

Cash Flow Analysis Worksheet - AGI Method (Modified)

Mar 18, 2009 MGIC

Borrower's and Co-Borrower's Name	Barnes		
-----------------------------------	--------	--	--

	4 Mths 2009	2008	2007
I. Form 1040 - Page 1			
1. Total Income		97,900	83,930
2. Non-Self-Employed Wages		(40,000)	(38,000)
3. Tax-Exempt Interest Income			
4. State and Local Tax Refunds			
5. Nonrecurring Alimony Received			
6. Negate Schedule D (Income) Loss		-10,000	
7. Pension or IRA Distributions			
8. Negate Schedule E (Income) Loss		-20,000	-18,800
9. Nonrecurring Unemployment Compensation			
10. Social Security Benefits			
11. Nonrecurring Other (Income) Loss			
12. Other:			
II. Form 2106 - Employee Business Expenses			
1. Total Expenses			
2. Depreciation			
III. Schedule B - Interest and Dividends			
1. Nonrecurring Interest Income			
2. Nonrecurring Dividend Income		(500)	(1,750)
IV. Schedule C - Sole Proprietorship			
1. Nonrecurring Other (Income) Loss or Expense	9,560		
2. Depletion			
3. Depreciation	1,000	3,000	3,000
4. Meal and Entertainment Exclusion		(600)	(500) *
5. Business Use of Home			
6. Mileage Depreciation			
7. Amortization/Casualty Loss			
V. Schedule D - Capital Gains and Losses			
1. Recurring Capital Gains			
2. Recurring Capital Loss			
VI. Form 6252 - Installment Sale Income			
1. Principal Payments			
VII. Schedule E - Supplemental Income and Loss			
1. Gross Rents and Royalties Received		8,500	8,000
2. Amortization/Casualty Loss			
3. Total Expenses before Depreciation		(9,000)	(8,700)
VIII. Schedule F - Profit or Loss from Farming			
1. Non-Tax Portion Ongoing Coop and CCC Pmts			
2. Nonrecurring Other (Income) Loss			
3. Depreciation			
4. Amortization/Casualty Loss/Depletion			
5. Business Use of Home			
IX. Partnership Schedule K-1 (Form 1065)			
1. Ordinary Income (Loss)	2,100	4,500	3,500 *
2. Net Income (Loss)			
3. Guaranteed Payments to Partner	7,000	20,000	20,000
X. Schedule K-1 (Form 1120S)			
1. Ordinary Income (Loss)			
2. Net Income (Loss)			
Totals:	19,660	53,800	50,680
Two-year Average:		52,240	

* Indicates an inconsistency or variance that may require additional review.

Cash Flow Analysis Worksheet - SAM Method

Mar 18, 2009 MGIC

Borrower's and Co-Borrower's Name	Barnes
-----------------------------------	--------

	4 Mths 2009	2008	2007
I. Form 1040 - Page 1			
1. Self Employed Wages			
2. Tax-Exempt Interest			
3. Alimony Received			
4. IRA Pension/Annuity Distributions			
5. Recurring Unemployment Compensation			
6. Social Security Benefits			
7. Other:			
II. Form 2106 - Employee Business Expenses			
1. Total Expenses			
2. Depreciation			
III. Schedule B - Interest and Dividends			
1. Recurring Interest Income		2,000	1,880
2. Recurring Dividend Income			
IV. Schedule C - Sole Proprietorship			
1. Net Profit (Loss)	9,560	25,400	23,500
2. Nonrecurring Other (Income) Loss or Expense			
3. Depletion			
4. Depreciation	1,000	3,000	3,000
5. Meal and Entertainment Exclusion		(600)	(500) *
6. Business Use of Home			
7. Mileage Depreciation			
8. Amortization/Casualty Loss			
V. Schedule D - Capital Gains and Losses			
1. Recurring Capital Gains			
2. Recurring Capital Loss			
VI. Form 6252 - Installment Sale Income			
1. Principal Payments			
VII. Schedule E - Supplemental Income and Loss			
1. Gross Rents and Royalties Received		8,500	8,000
2. Amortization/Casualty Loss			
3. Total Expenses before Depreciation		(9,000)	(8,700)
VIII. Schedule F - Profit or Loss from Farming			
1. Net Profit or (Loss)			
2. Non-Tax Portion Ongoing Coop and CCC Pmts			
3. Nonrecurring Other (Income) Loss			
4. Depreciation			
5. Amortization/Casualty Loss/Depletion			
6. Business Use of Home			
IX. Partnership Schedule K-1 (Form 1065)			
1. Ordinary Income (Loss)	2,100	4,500	3,500 *
2. Net Income (Loss)			
3. Guaranteed Payments to Partner	7,000	20,000	20,000
X. Schedule K-1 (Form 1120S)			
1. Ordinary Income (Loss)			
2. Net Income (Loss)			
Totals:	19,660	53,800	50,680
Two-year Average:		52,240	

* Indicates an inconsistency or variance that may require additional review.

In order to use the following sources of income for qualification, the borrower must provide evidence of the ability to access the funds.

Partnerships, S Corps and Regular Corps

	4 Mths 2009	2008	2007
XII. Partnership - Form 1065			
1. Passthrough (Income) Loss from Other Partnerships			
2. Nonrecurring Other (Income) Loss			
3. Depreciation	1,700	5,000	5,000
4. Depletion			
5. Amortization			
6. Mortgages or Notes Payable in less than 1 year			
7. Meal and Entertainment Exclusion (Schedule M-1)			
8. Subtotal	1,700	5,000	5,000
9. Multiplied by Ownership Percentage 50.0	850	2,500	2,500
XIII. S Corporation - Form 1120S			
1. Nonrecurring Other (Income) Loss			
2. Depreciation			
3. Depletion			
4. Amortization			
5. Mortgages or Notes Payable in less than 1 year			
6. Meal and Entertainment Exclusion (Schedule M-1)			
7. Subtotal			
8. Multiplied by Ownership Percentage .0			
XIV. Regular Corporation - Form 1120			
1. Taxable Income			
2. Total Tax			
3. Nonrecurring (Gains) Loss			
4. Nonrecurring Other (Income) Loss			
5. Depreciation			
6. Depletion			
7. Domestic Production Activities Deductions			
8. Amortization			
9. Net Operating Loss and Special Deductions			
10. Mortgages or Notes Payable in less than 1 year			
11. Meal and Entertainment Exclusion (Schedule M-1)			
12. Subtotal			
13. Multiplied by Ownership Percentage .0			
14. Less: Dividends Paid to Borrower			
15. Regular Corporation Subtotal			
Totals:	850	2,500	2,500
Two-year Average:		2,500	

Variance Summary

Mar 18, 2009 MGIC

Borrower's and Co-Borrower's Name

Barnes

*** AGI Variances ***

Section IV. 4. Meal and Entertainment Exclusion

Section IX. 1. Ordinary Income (Loss)

There is a 20% or greater variance from one year to another. This may indicate that this income or loss is not consistent or ongoing. Additional analysis will be necessary to determine how much of this income or loss, if any, should be included for this analysis.

*** SAM Variances ***

Section IV. 5. Meal and Entertainment Exclusion

Section IX. 1. Ordinary Income (Loss)

There is a 20% or greater variance from one year to another. This may indicate that this income or loss is not consistent or ongoing. Additional analysis will be necessary to determine how much of this income or loss, if any, should be included for this analysis.

** Note: Variances are NOT calculated between 2008 and 2009 YTD values. **