

Qualifying Income Worksheet

Build the number an underwriter can actually use — by business type.

Revenue is not income. Taxable profit is not always qualifying income. Complete the section that matches how your business is structured. If you own more than one business, complete a section for each and combine them at the end.

SECTION A — SCHEDULE C (SOLE PROPRIETOR, 1099 CONTRACTOR, SINGLE-MEMBER LLC)

Net profit — prior year (Schedule C, line 31)	\$	
Net profit — most recent year	\$	
Two-year total	\$	
Two-year average (total ÷ 2)	\$	
Add-backs — average of the two years		
Depreciation	\$	
Depletion	\$	
Business use of home	\$	
Amortization / non-recurring casualty loss	\$	
Depreciation portion of standard mileage	\$	
Total add-backs	\$	
Annual qualifying income (average + add-backs)	\$	
Monthly qualifying income (÷ 12)	\$	

Only your proportionate ownership share of add-backs counts — not 100% of the business total, even if you run the business day to day. An add-back is not something you elect; the lender determines whether an item qualifies and whether your documentation supports it.

SECTION B — K-1 INCOME (PARTNERSHIP, MULTI-MEMBER LLC, S CORPORATION)

Business name		
Your ownership percentage		
Ordinary business income on your K-1 — prior year	\$	
Ordinary business income on your K-1 — most recent year	\$	
Guaranteed payments received, if applicable	\$	
Cash distributions ACTUALLY received — prior year	\$	
Cash distributions ACTUALLY received — most recent year	\$	
Your share of add-backs (depreciation and similar)	\$	

Annual qualifying income \$

Monthly qualifying income ($\div 12$) \$

A K-1 tells us what the business attributed to you. Distributions tell us what actually came out. They are related, but they are not interchangeable — profit that stays in the business is not income you can use to make a mortgage payment. Do not add ordinary income, guaranteed payments, and distributions together; distributions are often the mechanism by which the first two reach you, not a third layer on top.

SECTION C — W-2 WAGES FROM YOUR OWN ENTITY

W-2 salary you pay yourself — prior year \$

W-2 salary you pay yourself — most recent year \$

Annual W-2 qualifying income \$

SECTION D — COMBINE

Section A — annual \$

Section B — annual \$

Section C — annual \$

Less: documented losses from any other business – \$

TOTAL ANNUAL QUALIFYING INCOME \$

TOTAL MONTHLY QUALIFYING INCOME \$

INCOME DIRECTION

Comparing the two years, my income is:

☐ Increasing ☐ Stable ☐ Declining

If declining, why

A lender will average two rising years together, but will not average a rising year with a falling one to soften the decline. If income declined, the first question is why — and “business was slow” generally does not carry an exception on its own. A decline of roughly 20% or more tends to draw closer attention and a written explanation.

Prepared by

Date