



2015

# Day Care Providers Income and Expenses

## MAQTAX Services

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### Day Care Providers Income and Expenses

#### Employer Identification Number (EIN)

Even if you operate your day care business as a sole proprietor or have no employees, you should obtain an EIN.

- Instead of your Social Security number, use your EIN on Form W-10, *Dependent Care Provider's Identification and Certification*.
- Use your EIN for your business bank account.

#### Business Bank Account

Have a bank account that you use exclusively for depositing day care income and paying day care expenses.

- Keep track of deposits from your personal funds and of reimbursements you make to yourself.
- Deposit all day care income, including cash payments, into the business bank account.
- Use a check or debit card to pay for business expenses instead of withdrawing cash.

#### Business Credit Card

Some options for tracking business expenses that you pay for with a credit card are:

- Using a business credit card exclusively for day care business expenses.
- Dedicating a personal credit card to the exclusive use of the day care business.

If you don't have a separate credit card, keep careful track of day care business expenses that you charge to your personal card.

#### Day Care Business Records

You may use any recordkeeping method that clearly shows your day care income and expenses, such as

hand-written ledgers, spreadsheets, and business software. You should keep the following additional records.

- Daily time log for the hours you spend in preparation, planning, recordkeeping, food preparation, clean-up, etc., in addition to the actual hours you are available for day care.
- Attendance, rates, payment history, and meal and snack log for each person in your care.
- Mileage records for the use of your car in the day care business.
- Home-related expenses.

#### Day Care Income

As a day care provider, you generally receive income from several sources. Examples include:

- Direct payments from parents or guardians.
- Direct payments from the employee benefit plan of a parent or guardian.
- Subsidy payments from state and local agencies or from charitable organizations for specific children or adults in your care.
- Sales of assets used in your day care business.
- Grants from state, local, or private agencies.
- Reimbursements for expenses you incur, such as food program payments through the Child and Adult Care Food Program (CACFP).

#### Reporting Income

All the above items are included in your day care gross income.

- Grants made directly to your business are generally included in business income. If you spend the grant money in your day care business, you can deduct those expenditures.



- Most tax professionals recommend that you include reimbursements in your business gross income. You can then claim a deduction for the expenses included in the reimbursement.

## Day Care Business Expenses

All businesses are allowed to deduct expenses that are ordinary and necessary for the business. The following list is not all inclusive.

Expense	Day Care Examples
Advertising	<ul style="list-style-type: none"> <li>• Print and online ads.</li> <li>• Business cards and business logo items, such as t-shirts, etc.</li> </ul>
Auto Expenses	<ul style="list-style-type: none"> <li>• Business miles (transporting children, shopping, education, meeting with parents, etc.)</li> <li>• Parking, tolls.</li> </ul>
Bank Charges	<ul style="list-style-type: none"> <li>• Business bank account fees.</li> <li>• Check printing fees.</li> </ul>
Dues, Publications	<ul style="list-style-type: none"> <li>• Day care license, membership in day care organization.</li> <li>• Day care magazines and books for you or the children.</li> </ul>
Education	<ul style="list-style-type: none"> <li>• Day care seminars and classes.</li> </ul>
Employee-Related Expenses	<ul style="list-style-type: none"> <li>• Wages, payroll taxes, workers' compensation, employee benefits.</li> <li>• Reimbursement of expenses.</li> </ul>
Insurance	<ul style="list-style-type: none"> <li>• Business liability insurance.</li> <li>• Day care rider on home policy.</li> </ul>
Legal and Professional	<ul style="list-style-type: none"> <li>• Attorney for day care issues.</li> <li>• Accounting and tax preparation fees.</li> </ul>
Office Supplies	<ul style="list-style-type: none"> <li>• Postage, paper, pens, pencils.</li> <li>• Record books, calendars.</li> </ul>
Rent	<ul style="list-style-type: none"> <li>• Toy, equipment, DVD rental.</li> <li>• Building rent (if not operating the day care in your home).</li> </ul>
Supplies	<ul style="list-style-type: none"> <li>• Business portion of household supplies, such as cleaning supplies, paper goods, etc.</li> <li>• Children's food, supplies, games, toys, crafts, etc.</li> <li>• Diapers, wipes, spare clothing.</li> </ul>
Telephone	<ul style="list-style-type: none"> <li>• Day care business line.</li> <li>• Day care-related extra features added to basic land line.</li> <li>• Day care portion of cell phone.</li> </ul>
Travel and Entertainment	<ul style="list-style-type: none"> <li>• Admission to zoo, museum, events, etc. for children.</li> <li>• Cost of entertaining parents.</li> </ul>

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## Day Care Food

Instead of tracking every penny you spend on food for the children or adults in your care, you can use the standard meal and snack rates.

2014 Rates by Location	Breakfast	Lunch, Dinner*	Snacks (up to 3)
Continental U.S.	\$1.28	\$2.40	\$0.71
Alaska	\$2.04	\$3.89	\$1.16
Hawaii	\$1.49	\$2.81	\$0.83

\*Lunch and dinner, allowance for each.

## Business Use of Your Home

Part of the cost of maintaining your home may be deductible as a business expense.

- You must be in the trade or business of providing day care for children, persons age 65 or older, or persons who are physically or mentally unable to care for themselves.
- You must have (or be exempt from having) a license or other approval to operate under state law. If your application was rejected or your license or approval is in a revoked status, you do not qualify for this deduction.

**Home-related expenses.** If you meet the conditions above, you can deduct the business portion of the following home-related expenses.

### Deductible Whether or Not You Are in Business:

- Real estate taxes and mortgage interest.
- Qualified mortgage insurance premiums.
- Casualty losses.

### Deductible Only if for Business:

- Homeowner's insurance and association dues.
- Security system.
- Rent (if renting your home).
- Utilities and services.
- Repairs and maintenance.
- Depreciation (subject to certain limitations).

**Calculating the home business-use percentage.** The business use percentage used in deducting home expenses is based on the number of hours spent on day care activities during the year and the area used regularly for daycare compared to the total square footage of the home. Provide these numbers to your tax preparer to compute the business use percentage.

## Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Retirement.
- Significant change in income or deductions.
- Notice from IRS or other revenue department.
- Job change.
- Divorce or separation.
- Marriage.
- Self-employment.
- Attainment of age 59½ or 70½.
- Charitable contributions of property in excess of \$5,000.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.