

KEY EXPENSES

AUTO TRAVEL:

Your auto expenses are based on the number of qualified business miles you drive. Auto expenses for you as a day care provider could include your transportation:

- to and from a class taken to enhance your day care skills;
- on field trips with those for whom you are providing care;
- for errands related to day care business (e.g. going to the bank to make a deposit of day care receipts);
- to the store to shop for day care supplies; or
- when chauffeuring day care attendees.

CAPITAL PURCHASES:

Certain purchases for day care use may be so-called "capital items." These items must be deducted on your tax return using different rules than are used for supplies and expenses. Capital items are those that normally last more than one year – typical examples would be cribs, playground equipment, etc. Be sure to keep receipts for these items, as they can generally be depreciated or expensed, whichever works best for you.

SUPPLIES & EXPENSES:

Generally, to be deductible, items must be ordinary and necessary to the operation of your day care business. This includes the cost of items such as crayons, coloring books, paper plates, cups, cleaning supplies, and first aid supplies are also deductible in the year they are purchased. However, you need to keep receipts for all such purchases. Record separately items having a useful life of more than one year. Be sure to keep receipts for these items separate from receipts for capital purchases discussed previously.

FOOD:

You can also deduct the actual cost of any food that is provided to the children in your care. It can be a bookkeeping nightmare to keep track of which grocery items were purchased for the childcare business and which were for personal consumption. Luckily, the government allows a care provider to deduct standard meal rates in lieu of actual amounts. This method does not require you to keep grocery receipts, and the IRS will not contest a food deduction based on the standard rates. The standard meal rates for breakfast, lunch, dinner and snacks are adjusted for inflation annually.

BUSINESS USE OF HOME:

Normally, the expenses you incur (other than home mortgage interest, taxes or casualty losses) related to your personal home are not deductible. However, when you regularly use your home for licensed day care, a portion of the cost of your home upkeep can be deductible – the deductible amount depends on both the number of square feet you use for day care AND the amount of time you routinely use various rooms of your home in the day care business.

Your day care records don't need to detail the specific hours a room in your home is used for business. It's enough to show that you regularly use a room for day care. For instance, say your home has one bedroom that is regularly used for afternoon naps for day care recipients – about two hours each day. Your day care center is open from 7:00 a.m. to 6:00 p.m. Even though nap time uses only two of the 11 hours your center is open, the bedroom is considered used for business for the entire 11-hour business day.

There is also a simplified deduction method for the business use of a home; it may be useful for individuals who work from a home office, but it is generally unsuitable for a childcare business.

The deduction for the business use of a home is limited to gross income from the business. If that limit applies to you, any home mortgage interest and property taxes that you have paid, as well as any casualty losses that you have incurred for the year, are always deductible when you itemize deductions, regardless of whether you claim a deduction for the business use of the home.



Occupational Series



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INTRODUCTION

In order to deduct expenses in your trade or business, you must show that the expenses are "ordinary and necessary." An ordinary expense is one that is customary in your particular line of work. A necessary expense is one that is appropriate but not necessarily essential in your business. The application of these terms to you relies heavily on the "facts and circumstances" of your unique situation.

AUTO TRAVEL:

Continuing Education (mi.)	
Field Trips (mi.)	
School - Pickup & Delivery (mi.)	
Shopping - Food & Supplies (mi.)	
Parking (\$)	
Tolls (\$)	
Other: _____	
Other: _____	

CAPITAL PURCHASES:

Car Seats	
Cribs	
High Chairs	
Jungle Gym	
Slides	
Swings	
Other: _____	
Other: _____	

ALLOCATED EXPENSES *: (Read Instruction below)	Direct	Indirect
Dishwasher		
Dryer		
Fencing		
Refrigerator		
Television		
VCR		
Washer		
Other: _____		

SUPPLIES & EXPENSES:

Advertising	
Arts & Crafts Materials	
Bond	
Books - Children's	
Bottles - Baby	
Child-proofing Devices	
Cleaning Supplies	
Continuing Education (care provider)	
CPR Training	
Diapers	
Educational Toys	
First Aid Supplies	
Food	
Formula	
Insurance - Business	
Laundry	
Laundry Supplies	
Legal & Professional Services	
License	
Office Supplies	
Paper	
Party Supplies	
Payroll	
Repairs	
Replacements	
Tax - Business	
Tax - Payroll	
Tax Preparation	
Telephone	
Tickets, Fees, etc. - Field Trips	
Toilet Paper, Paper Towels	
Toys	
Other: _____	

BUSINESS USE OF HOME:

Total Square Feet of Home	
Business Area of Home	
Business Hours (total for year)	
Home Mortgage Interest	
Property Taxes	
Insurance	
Homeowners/Condo Association	
Rent	

ALLOCATED EXPENSES *: (Read Instruction in opposite page)	Direct	Indirect
Cleaning Service		
Gardener		
Maintenance		
Painting		
Pool Service		
Pool Supplies		
Repairs - Exterior		
Repairs - Interior		
Repairs - Yard, Fence, etc.		
Trash Service		
Utilities - Cable		
Electric		
Gas		
Water		
Other: _____		

* Expenses related to your home office can either be direct or indirect expenses. Direct expenses are those which can be directly allocated to your business, such as a separate phone line or Internet connection exclusively for your business. Indirect expenses are those that are allocated to the entire house, such as electric, gas and water expenses.