







Family Child Care Home Provider Tax Tips IRS Form 8829: Understanding Expense Deductions for the Business Use of Your Home January 2021

Child care is a business. For Family Child Care providers, there are tax benefits to claim related to operating a business out of your home.

When an expense is shared (partly used for business purposes and partly used for personal purposes), use <u>IRS Form 8829</u>. When an expense is related to your business only, use <u>IRS Form Schedule C</u> (see the one page explainer for Schedule C).

IRS Form 8829 in Brief. The IRS Form 8829 is related to the business use of your home. Expenses on this form are shared – partly business and partly personal (e.g., The rent or mortgage interest reflects a monthly payment. Because you also live in your home, these payments are not 100% business related. They are partly business and partly personal).

There is a "Time-Space" formula that calculates the business use of your home. The Time Percentage is the number of hours your home is used for business purposes divided by the total number of hours per year. The Space Percentage is the # of square feet of your home used regularly for business purposes divided by the total number of square feet in your home. Both

nternal i	Expenses for Business Use of Your Home File only with Sohedule C (Form 1040), Use a separate Form 8829 for each home you used for business during the year. Go on www.irs.gow/Form8829 for instructions and the latest information.		OMB No. 1545-0074 2020 Attachment Sequence No. 176 al security number
same(s)	or proprietor(s)	ur sook	a security mamber
Part	Part of Your Home Used for Business		
1	Area used regularly and exclusively for business, regularly for daycare, or for storage of inventory		
	or product samples (see instructions)	1	
2	Total area of home	2	
3	Divide line 1 by line 2. Enter the result as a percentage	3	%
0.22	For daycare facilities not used exclusively for business, go to line 4. All others, go to line 7.		
4	Multiply days used for daycare during year by hours used per day 4 hr.		
5	If you started or stopped using your home for daycare during the year, see instructions; otherwise, enter 8,784		
6	Divide line 4 by line 5. Enter the result as a decimal amount 6 .		
7	Business percentage. For daycare facilities not used exclusively for business, multiply line 6 by		
	line 3 (enter the result as a percentage). All others, enter the amount from line 3	7	0,6
Part			
8	Enter the amount from Schedule C, line 29, plus any gain derived from the business use of your home.		
	minus any loss from the trade or business not derived from the business use of your home. See instructions.	8	
	See instructions for columns (a) and (b) before completing lines 9-22. (a) Direct expenses (b) indirect expenses		
9	Casualty losses (see instructions) 9		
10	Deductible mortgage interest (see instructions) . 10		
11	Real estate taxes (see instructions) 11		
12	Add lines 9, 10, and 11		
13	Multiply line 12, column (b), by line 7		
14	Add line 12, column (a), and line 13	14	
15	Subtract line 14 from line 8. If zero or less, enter -0	15	
16	Excess mortgage interest (see instructions) 16		
17	Excess real estate taxes (see instructions) 17		
19			
20	Rent		
21	Utilities		
22	Other expenses (see instructions)		
23	Add lines 16 through 22		
24	Multiply line 23, column (b), by line 7		
25	Carryover of prior year operating expenses (see instructions) 25		
26	Add line 23, column (a), line 24, and line 25	26	
27	Allowable operating expenses. Enter the smaller of line 15 or line 26	27	
28	Limit on excess casualty losses and depreciation. Subtract line 27 from line 15	28	
29	Excess casualty losses (see instructions)		
30	Depreciation of your home from line 42 below		
31	Carryover of prior year excess casualty losses and depreciation (see instructions) 31	-	
32	Add lines 29 through 31	32	
33	Allowable excess casualty losses and depreciation. Enter the smaller of line 28 or line 32	33	
34	Add lines 14, 27, and 33	35	
36	Casualty loss portion, if any, from lines 14 and 33. Carry amount to Form 4684. See instructions . Allowable expenses for business use of your home. Subtract line 35 from line 34. Enter here	30	
30	and on Schedule C, line 30. If your home was used for more than one business, see instructions. If	36	
Part		30	
37	Enter the smaller of your home's adjusted basis or its fair market value. See instructions	37	
38	Value of land included on line 37	38	
39	Basis of building, Subtract line 38 from line 37	39	
40	Business basis of building. Multiply line 39 by line 7	40	
41	Depreciation percentage (see instructions)	41	%
42	Depreciation allowable (see instructions). Multiply line 40 by line 41. Enter here and on line 30 above	42	
Part		-	
43	Operating expenses. Subtract line 27 from line 26. If less than zero, enter -0	43	
44	Excess casualty losses and depreciation. Subtract line 33 from line 32, If less than zero, enter -0	44	

the time and the space percentages are multiplied together for an overall time-space percentage. The overall time-space percentage is then calculated against your shared expenses such as your rent. For a more detailed explanation of the Time-Space calculation, see our one page brief.

Common "Shared" Expenses Reported on IRS Form 8829

Home or Rental Insurance

Rent

Rortgage Interest

Utilities (gas, oil, electric, sewer, water, etc.)

Property Taxes

House Repairs

Furniture

Appliances

Swing set

Lawnmower

Expenses Need an "Adequate Record"

- Receipt
- Cancelled check
- Credit/debit card statement
- Written record
- Photograph

Tom Copeland: http://tomcopelandblog.com/checklist-for-form-8829-expenses-for-business-use-of-your-home