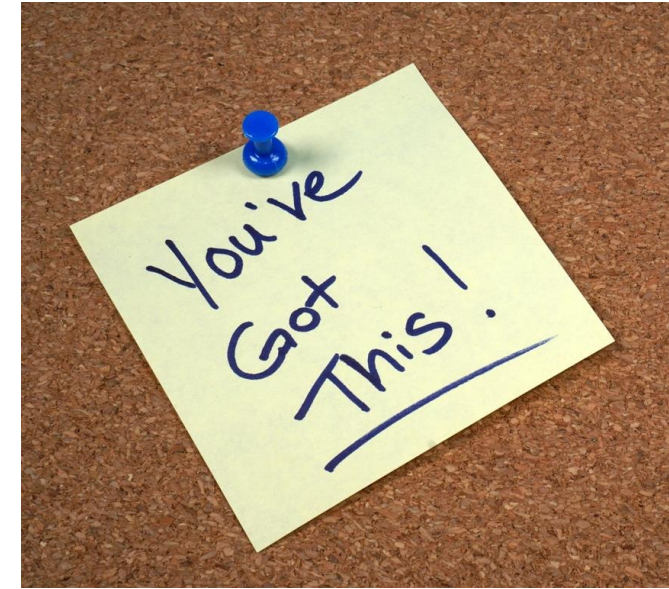


Getting Ready for 2023 Tax Returns: Family Child Care Provider Tips (for tax returns filed in the spring of 2024)

Don't Let Tax Season Get You Down: Be Ready!
Know the basics! 😊



Grace Reef
Early Learning Policy Group, LLC
Child Care Aware of New Jersey, March 21, 2024
GraceReef2013@gmail.com



2023 – What a year!

With COVID-19 (*kind of over, but not really*), many child care providers

- Struggled to maintain full enrollment
- Faced staffing challenges
- May have shut down temporarily due to COVID-19
- Had fluctuations in revenue
- Had increased costs (e.g., health & safety, cleaning, etc.)
- May have received government grants (e.g., stabilization, workforce bonuses)

This webinar is about getting ready to file 2023 taxes (during Spring 2024)

- Handling grants
- Common tax deductions
- Basic tax forms
- Maximizing income (which means reducing tax liability)
- Record-keeping that can save you money
- Q&A

*** I am not rendering legal, tax, or other professional advice. If you require this type of assistance, please consult a professional to represent/work with you.**



Income

What's considered income?

- Parent payments
- State grants (e.g., stabilization or bonus/retention)
- Food program (e.g., CACFP)

IRS Form 1099-NEC: Sample Form

<input type="checkbox"/> CORRECTED (if checked)	
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.	
NJ Department of Human Services Division of Family Development or another entity	
OMB No. 1545-0116 Form 1099-NEC (Rev. January 2024) For calendar year	
Nonemployee Compensation	
PAYER'S TIN	1 Nonemployee compensation
RECIPIENT'S TIN XXX-XX-XXXX	\$ \$3,000
RECIPIENT'S name	2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>
Street address (including apt. no.)	3
City or town, state or province, country, and ZIP or foreign postal code	4 Federal income tax withheld
Account number (see instructions)	\$
5 State tax withheld	6 State/Payer's state no.
\$	7 State income
\$	\$

Form **1099-NEC** (Rev. 1-2024) (keep for your records) www.irs.gov/Form1099NEC Department of the Treasury - Internal Revenue Service

IRS Form 1099-NEC (Nonemployee Compensation)

- If you received more than \$600, the agency/organization may send you IRS Form 1099-NEC.
- If so, there should be an amount listed on line 1 (Nonemployee compensation)
- This amount may represent:
 - One or more grants you received in 2023 (e.g., maybe a stabilization grant, or bonus/retention grant, etc.).
 - Child care subsidy funding (and maybe some extra funding if subsidy funds increased during COVID)
- If you don't receive a 1099, you still need to claim these funds as revenue (income) to your program.
- Double check that the 1099 is the amount you received.

TIP: Make sure you keep a record of all funds received and flag funds from the state so you can match that amount to the 1099. Likely it's correct, but double checking is best. 😊

2023 – Schedule C with 1099 Information

Schedule C with Form 1099-NEC Info Sample Form

SCHEDULE C (Form 1040) **Profit or Loss From Business** (Sole Proprietorship)

OMB No. 1545-0074 **2023** Attachment Sequence No. **09**

Department of the Treasury Internal Revenue Service

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065. Go to www.irs.gov/ScheduleC for instructions and the latest information.

Name of proprietor _____ Social security number (SSN) _____

A Principal business or profession, including product or service (see instructions) _____

B Enter code from instructions _____

C Business name. If no separate business name, leave blank. _____

D Employer ID number (EIN) (see instr.) _____

E Business address (including suite or room no.) _____
City, town or post office, state, and ZIP code _____

F Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) _____

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses. ☐ Yes ☐ No

H If you started or acquired this business during 2023, check here ☐ Yes ☐ No

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions. ☐ Yes ☐ No

J If "Yes," did you or will you file required Form(s) 1099? ☐ Yes ☐ No

Part I Income

1	Gross receipts or sales. See instructions for line 1 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. <input type="checkbox"/>	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	Gross profit. Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	\$3,000
7	Gross income. Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home only on line 30.

8	Advertising	8		18	Office expense (see instructions)	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	
12	Depreciation	12		b	Other business property	20b	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13		21	Repairs and maintenance	21	
14	Employee benefit programs (other than on line 19)	14		22	Supplies (not included in Part III)	22	
15	Insurance (other than health)	15		23	Taxes and licenses	23	
16	Interest (see instructions):			24	Travel and meals:		
a	Mortgage (paid to banks, etc.)	16a		a	Travel	24a	
b	Other	16b		b	Deductible meals (see instructions)	24b	
17	Legal and professional services	17		25	Utilities	25	
26	Wages (less employment credits)	26		27a	Other expenses (from line 46)	27a	
27a	Other expenses (from line 46)	27a		b	Energy efficient commercial bldgs deduction (attach Form 7205)	27b	
28	Total expenses before expenses for business use of home. Add lines 8 through 27b	28					
29	Tentative profit or (loss). Subtract line 28 from line 7	29					
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. Simplified method filers only: Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30					
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (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					
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 Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (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.		

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P Schedule C (Form 1040) 2023

It's the government. So, there's forms...

- The income from the IRS Form 1099-NEC is listed on the IRS Schedule C Form (Profit and Loss From a Business)

For example, the \$3,000 on the 1099 could represent:

- \$2,000 for stabilization
- \$1,000 for bonus/retention grants
- Maybe more if you received child care subsidy payments

- The \$3,000 is listed on Schedule C, line 6

*** A larger (more readable) version is on the next slide.**

IRS website: <https://www.irs.gov/forms-pubs/about-schedule-c-form-1040>

Spanish: <https://www.irs.gov/es/forms-pubs/about-schedule-c-form-1040>

2023 – Schedule C with 1099 Information

Sample Schedule C/Top Half of Form

Sample IRS 1099-NEC Form

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0116		Nonemployee Compensation	
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		Form 1099-NEC (Rev. January 2024) For calendar year			
NJ Department of Human Services Division of Family Development or another entity					
PAYER'S TIN	RECIPIENT'S TIN	1 Nonemployee compensation		Copy B For Recipient This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.	
	XXX-XX-XXXX	\$	\$3,000		
RECIPIENT'S name		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale	<input type="checkbox"/>		
Street address (including apt. no.)		3			
City or town, state or province, country, and ZIP or foreign postal code		4 Federal income tax withheld	\$		
Account number (see instructions)		5 State tax withheld	\$	6 State/Payer's state no.	7 State income
			\$		\$
Form 1099-NEC (Rev. 1-2024) (keep for your records) www.irs.gov/Form1099NEC Department of the Treasury - Internal Revenue Service					

Income from Parents.

- Insert total income from parents on line 1 (gross receipts)

SCHEDULE C (Form 1040)		Profit or Loss From Business (Sole Proprietorship)		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065. Go to www.irs.gov/ScheduleC for instructions and the latest information.		2023 Attachment Sequence No. 09	
Name of proprietor				Social security number (SSN)	
A Principal business or profession, including product or service (see instructions)				B Enter code from instructions	
C Business name. If no separate business name, leave blank.				D Employer ID number (EIN) (see instr.)	
E Business address (including suite or room no.) City, town or post office, state, and ZIP code					
F Accounting method: (1) <input 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 2023? If "No," see instructions for limit on losses				<input type="checkbox"/> Yes <input type="checkbox"/> No	
H If you started or acquired this business during 2023, check here				<input type="checkbox"/>	
I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions				<input type="checkbox"/> Yes <input type="checkbox"/> No	
J If "Yes," did you or will you file required Form(s) 1099?				<input type="checkbox"/> Yes <input type="checkbox"/> No	
Part I Income					
1	Gross receipts or sales. See instructions for line 1 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	1			
2	Returns and allowances	2			
3	Subtract line 2 from line 1	3			
4	Cost of goods sold (from line 42)	4			
5	Gross profit. Subtract line 4 from line 3	5			
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			\$3,000
Part II Expenses. Enter expenses for business use of your home only on line 30.					
8	Advertising	8		18	Office expense (see instructions)

2023 – Business Expenses

What's deductible? Where is it reported on Schedule C?

Deductible Expenses

- Expenses are deductible if they are “ordinary and necessary” for your business
- In general, the concept is – these are costs related to child care as a business (cleaning, maintenance, repairs, materials, insurance, staffing, accounting software, etc.)
- For family child care homes, there are some expenses that are shared costs** (e.g., some expenses might be 100% deductible (all business related), or some might be shared because they are partially business and partially personal costs)
 - For example, you purchase a washer & dryer. You use the washer & dryer regularly for the child care kids. But, you also use it for your family. Therefore, it's a shared expense. **Shared expenses are calculated on Form 8829.**

Schedule C expenses are 100% business expenses (e.g., extra fridge in the garage, books for the child care kids, business/professional liability insurance, etc.)

Sample Schedule C/Bottom Half of Form

Part I Income			
1	Gross receipts or sales. See instructions for line 1 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 <input type="checkbox"/>	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	Gross profit. Subtract line 4 from line 3	5	
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	

Part II Expenses			
Enter expenses for business use of your home only on line 30.			
8	Advertising	8	
9	Car and truck expenses (see instructions)	9	
10	Commissions and fees	10	
11	Contract labor (see instructions)	11	
12	Depreciation	12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	
14	Employee benefit programs (other than on line 19)	14	
15	Insurance (other than health)	15	
16	Interest (see instructions):		
a	Mortgage (paid to banks, etc.)	16a	
b	Other	16b	
17	Legal and professional services	17	
18	Office expense (see instructions)	18	
19	Pension and profit-sharing plans	19	
20	Rent or lease (see instructions):		
a	Vehicles, machinery, and equipment	20a	
b	Other business property	20b	
21	Repairs and maintenance	21	
22	Supplies (not included in Part III)	22	
23	Taxes and licenses	23	
24	Travel and meals:		
a	Travel	24a	
b	Deductible meals (see instructions)	24b	
25	Utilities	25	
26	Wages (less employment credits)	26	
27a	Other expenses (from line 48)	27a	
b	Energy efficient commercial bldgs deduction (attach Form 7205)	27b	
28	Total expenses before expenses for business use of home. Add lines 8 through 27b	28	
29	Tentative profit or (loss). Subtract line 28 from line 7	29	
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. Simplified method filers only: Enter the total square footage of (a) your home: <input type="text"/> and (b) the part of your home used for business: <input type="text"/> . Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30		
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (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.		
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 Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (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.

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P Schedule C (Form 1040) 2023

2023 – Expenses /A Closer Look at Schedule C Expenses

IRS Schedule C Expense Worksheet

The expenses on this list align with IRS Form Schedule C (Part II Expenses)

Category	Description	Total Expenses
Advertising	Any expenses to advertise or promote your business such as printing costs, business cards, brochures, mailers or flyers.	
Car & Truck Expenses	Expenses related to the use of your car, van, or truck for your business. Note, for tax year 2023, the standard rate per mile is: 65.5 cents per mile for January 1, 2023 - December 31, 2023	
Commissions & Fees	Schedule C is for all businesses. Family child care providers are unlikely to have an entry here.	
Contract Labor	This line is for contractors you may use. If you paid a contractor more than \$600 last year, you should have sent them a 1099 form indicating the amount of money you paid. Consult with a tax preparer for more information. 1099s are not used for employees, just for contractors.	
Depreciation	If you made any purchases exceeding \$2,500 for your business, you may need to depreciate the expense (not deduct it in one year, but instead deduct it over time). Consult with a tax preparer for more information.	
Employee Benefit Programs	If you have employees and you offer them benefits (e.g., health insurance or life insurance), these expenses go here.	
Insurance	If you have liability insurance, list it here. Do not list your own health insurance premiums or homeowner's insurance here. That is entered elsewhere.	
Interest	This line is for business interest such as on a <u>business</u> credit card or <u>business</u> loan. Do not enter mortgage interest here. That is entered elsewhere.	

SCHEDULE C Part 1 Form 1040 2019	Profit or Loss From Business Instructions for Form 1040, Schedule C (2019) OMB No. 1545-0047 Use any additional Form 1040 instructions and the latest information from 1040. Go to www.irs.gov/publications for instructions and the general information. Special instructions for sole proprietors.	2019 OMB No. 1545-0047 23 1040-SS
A Principal business, including products or service (use instructions)		E Enter code from instructions
C Business name. If separate business name, see line 10.		F Enter E-Verify status (see instructions)
B Business address (including sole or co-owner): City, town or post office, and ZIP code:		
9 Accounting method. <input type="checkbox"/> 1 Cash or accrual <input type="checkbox"/> 2 Other <input type="checkbox"/> 3 Other (specify)		
10 Did you "intentionally prepare" the tax return of the business during 2019? If "Yes," see instructions for line 10 on pages 10 and 11 or required to have an audit during 2019. Check <input type="checkbox"/> Yes <input type="checkbox"/> No		
11 Did you make any payments to yourself for the business during 2019? <input type="checkbox"/> Yes <input type="checkbox"/> No		
12 Did you make any payments to yourself that would require you to file the Form 1099-T for business? <input type="checkbox"/> Yes <input type="checkbox"/> No		
13 Did you own and use the business vehicle for personal purposes during 2019? <input type="checkbox"/> Yes <input type="checkbox"/> No		
Part II Income		
14 Select one or more. Use instructions for Part II and check the box if the income was reported to you by Form 1042 or the "Satisfactory employer" box on the form was checked.		
21 Salaries and allowances		
22 Subtotal line 21		
23 Cost of goods sold from line 4C		
24 Gross profit. Subtract line 23 from line 22		
25 Other income, including interest and net gains/losses (if that loss credit is used, see instructions)		
26 Total. Add lines 24 and 25		
Part III Expenses. Enter expenses for business use of your home only on line 30.		
27 Advertising		
28 Car and truck expenses (see instructions)		
29 Commuting and travel		
30 Control (add instructions): Depreciation <input type="checkbox"/> 31 Repairs and maintenance <input type="checkbox"/> 32 Expense allocated to other business <input type="checkbox"/> 33 Total of Part III expenses <input type="checkbox"/> 34		
35 Employee benefits provided other than on line 15		
36 Insurance (other than on line 15)		
37 Mortgage interest on line 12B		
38 Legal and professional services		
39 Repairs and maintenance (other than on line 32)		
40 Telephone and fax. Subtract line 37 from line 39		
41 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 with instructions. See instructions for details. Use the amount on your Form 8829.		
42 If the part of your home used for business: <input type="checkbox"/> Use the simplified method (see instructions). <input type="checkbox"/> Use the actual expenses method (see instructions).		
Net profit or loss. Subtract line 30 from line 26.		
43 If you are a partner, enter the net profit or loss from Schedule D (see instructions). If line 43 is checked the box is "Yes." If you are a partner, filer and not partner, enter on Form 1040, line 15. If you are not a partner, enter on line 15.		
44 If you have a loss, check the box that describes your situation in the activity. See instructions.		
45 If you checked "Yes," enter the net loss from Schedule D (see instructions) on line 15, and on Schedule D. <input type="checkbox"/> 46 If you checked the box "Yes," enter the net loss from Schedule D (see instructions) on line 15, and on Schedule D.		
47 If you checked "Yes," you must attach Form 1099-T. You may also attach Form 1040.		
For Preparation Instructions and Form 1040, see separate instructions.		

A Closer Look at Schedule C, Part II Expenses

Part II Expenses. Enter expenses for business use of your vehicle.		
8	Advertising	8
9	Car and truck expenses (see instructions)	9
10	Commissions and fees	10
11	Contract labor (see instructions)	11
12	Depletion	12
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13
14	Employee benefit programs (other than on line 19)	14
15	Insurance (other than health)	15
16	Interest (see instructions):	
a	Mortgage (paid to banks, etc.)	16a
b	Other	16b
17	Legal and professional services	17

Category	Description	Total Expenses
Legal & Professional Fees	These are fees paid to a lawyer or a professional tax preparer. They also include fees to a professional association (e.g., your state child care association, the National Association for Family Child Care (NAFCC), the National Association for the Education of Young Children (NAEYC) or similar professional group.	
Office Expenses	These expenses are for items used in your business such as paper, pens, a computer, a printer, toner, tape, notebooks, file folders, extension cords, software to help you manage your business, phones, furniture, etc. In general, these are items that help support you running your business.	
Pension & Profit Sharing Plans	Most family child care homes do not offer pension or profit sharing plans. If you have employees, and you offer such plans, expenses are listed here.	
Rent or Lease	This is not about rent payments for your home. This rent or lease category is related to equipment you may rent or lease for your business. For example, maybe you rented an inflatable bounce house for your backyard for the summer for the children to enjoy.	
Repairs & Maintenance	The line is for any repairs or maintenance you paid for to help support your business. For example, if you need to pay someone to help set up your computer or help troubleshoot a computer problem. Or, maybe you paid a plumber to fix a toilet in the bathroom that the children use.	
Supplies	These are expenses related to the supplies you need for the children. For example, crayons, paint, markers, play-doh, toys, books, diapers, wipes, paper plates, toilet paper, cleaning supplies, bookcases, etc. Food costs for children in your program could be listed here or in "other expenses"	

A Closer Look, Part II Schedule C Expenses

18	Office expense (see instructions)	18	
19	Pension and profit-sharing plans	19	
20	Rent or lease (see instructions):		
a	Vehicles, machinery, and equipment	20a	
b	Other business property	20b	
21	Repairs and maintenance	21	
22	Supplies (not included in Part III)	22	
23	Taxes and licenses	23	
24	Travel and meals:		
a	Travel	24a	
b	Deductible meals (see instructions)	24b	
25	Utilities	25	
26	Wages (less employment credits)	26	
27a	Other expenses (from line 48)	27a	
b	Energy efficient commercial bldgs deduction (attach Form 7205)	27b	

Taxes & Licenses	This line is for any special occupational taxes you might have to pay or licenses. For example, there may be a registration fee for operating a child care program in the state or a local fee in your town or county. There could be a business & professional tax locally based on your income. Not all localities have this, but some do as a way of generating local revenue. For example, a locality could tax your gross receipts at a small % or have an annual fee.	
Travel & Meals	This line is for costs associated with attending a conference or business meeting.	NO
Utilities	Do not answer this line on Schedule C. Utilities are included on Form 8829- because they are shared expenses (part personal and part business). Schedule C expenses capture 100% business expenses, not shared expenses.	NO
Wages	If you have employees, this is where you enter wage expenses. These people would receive a W-2 from you, not a 1099. If you are unclear, ask your tax preparer. You do not enter your own wages here, even if you pay yourself out of your business. Your income is listed in Part I of the Schedule C	
Other Expenses	Other expenses include anything else that you didn't list under Office Expenses or Supplies that is 100% a business expense. In general, these are likely expenses exceeding \$200. You can also list credit card processing fees here if you have such expenses.	
Total		

**NO, not
kid meals**

Resources for You

[HOME](#) / [SUCCESSFUL PROGRAM MANAGEMENT](#) / [FAMILY CHILD CARE TOOLKIT](#) / [TAX TIPS](#)

IN THIS SECTION

Family Child Care
Toolkit

Business Basics &

Professionalism 2

Emergency Readiness

Family Engagement

Financial Relief for Small

Businesses

Health & Safety	
Environmental	

Meals & Nutrition

Regulations

Tax Tips

Training & PD

<https://>

TAX TIPS

Taking the Mystery out of Tax Filing

Tax time can be confusing and overwhelming for everyone, including family child care providers. The basic concept for family child care providers revolves around two questions to determine taxes that you will pay:

- What is your income?
- What are your expenses?

However, it is not always straight forward. And, it depends to a large extent on records that you keep. That is why preparing to file your tax returns (organizing the amount of money you received as income and the amount of money you spent to operate your business) is so important. There are also some special rules for family child care providers on shared expenses (e.g., mortgage interest or rent and utilities are shared expenses because they represent expenses that are partially for business purposes and partially for personal use).




Learning & Guidance

OVERVIEW:

Tom Copeland explains the tax return process for 2021. While this is a bit dated, the general concepts remain accurate and helpful.

<https://www.njsharedresources.org/successful-program-management/family-child-care-toolkit/tax-tips/>

BUSINESS EXPENSES (DEDUCTIONS):

- Basic Deductions to Lower Your Taxes ([English](#)) ([Spanish](#))
- [IRS Schedule C](#): Understanding Business Deductions Using Schedule C for Sole Proprietors - A one page explainer
- [IRS Schedule C](#): An expense worksheet aligned with the categories on Schedule C
- [2022 Standard Mileage Rate](#) 
- [Questions and Answers About Deductions - Part 1](#) 
- [Questions and Answers About Deductions - Part 2](#) 

Schedule C Expense Worksheet: [English](#) & [Spanish](#)

Common expenses: Playroom expenses- toys, books; child furniture, cubbies, organizers; bathroom towels, soap, toilet paper; art supplies; games; office supplies- like paper, toner, pens, etc.

2023 – Expenses

Using Schedule C for Business Expenses

Sample

SCHEDULE C (Form 1040)		Profit or Loss From Business (Sole Proprietorship)		OMB No. 1545-0074 2023 Attachment Sequence No. 09			
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065. Go to www.irs.gov/ScheduleC for instructions and the latest information.					
Name of proprietor		Social security number (SSN)					
A Principal business or profession, including product or service (see instructions)		B Enter code from instructions					
C Business name. If no separate business name, leave blank.		D Employer ID number (EIN) (see instr.)					
E Business address (including suite or room no.) City, town or post office, state, and ZIP code							
F Accounting method: (1) <input 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 2023? If "No," see instructions for limit on losses		<input type="checkbox"/> Yes <input type="checkbox"/> No					
H If you started or acquired this business during 2023, check here		<input type="checkbox"/> Yes <input type="checkbox"/> No					
I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions		<input type="checkbox"/> Yes <input type="checkbox"/> No					
J If "Yes," did you or will you file required Form(s) 1099?		<input type="checkbox"/> Yes <input type="checkbox"/> No					
Part I Income							
1	Gross receipts or sales. See instructions for line 1 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	1					
2	Returns and allowances	2					
3	Subtract line 2 from line 1	3					
4	Cost of goods sold (from line 42)	4					
5	Gross profit. Subtract line 4 from line 3	5					
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					
Part II Expenses. Enter expenses for business use of your home only on line 30.							
8	Advertising	8	\$100	18	Office expense (see instructions)	18	\$1,000
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	\$200	a	Vehicles, machinery, and equipment	20a	
12	Depreciation	12		b	Other business property	20b	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13		21	Repairs and maintenance	21	
14	Employee benefit programs (other than on line 19)	14		22	Supplies (not included in Part III)	22	\$300
15	Insurance (other than health)	15	\$1,200	23	Taxes and licenses	23	
16	Interest (see instructions):			24	Travel and meals:		
a	Mortgage (paid to banks, etc.)	16a		a	Travel	24a	
b	Other	16b		b	Deductible meals (see instructions)	24b	
17	Legal and professional services	17		25	Utilities	25	
28	Total expenses before expenses for business use of home. Add lines 8 through 27b	28		26	Wages (less employment credits)	26	
29	Tentative profit or (loss). Subtract line 28 from line 7	29		27a	Other expenses (from line 48)	27a	\$1,000
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions.			b	Energy efficient commercial bldgs deduction (attach Form 7205)	27b	

Illustrative Schedule C Expenses

- Advertising \$100
- Contract labor (e.g., snow shoveling, raking, mowing the yard, painting, etc.) \$200 (60% time-space percentage x gross \$333 expense)
- Insurance (e.g., business liability, not home ins.)
- Office expense (e.g., new laptop and printer, paper, toner) \$1,000
- Supplies (materials you may purchase for the children such as paint, puppets, sensory table, etc.) \$300
- Other expenses (food) \$1,000

Seems like a lot. But, if you track expenses, you can cross them over to the tax forms.

Monthly Expense Log (excel template- Taxes, Fees; Travel (Gas); Miles; Food; Toys & Materials; Office Expenses; Supplies; Activity Expenses; Classes; Insurance; Repairs & Maintenance, etc.) [English](#) & [Spanish](#)

2023 – Expenses

What's deductible? Shared Expenses are reported on [Form 8829](#)

Deductible Expenses

- **For family child care homes, there are some expenses that are shared costs** (e.g., some expenses might be 100% deductible (all business related), or some might be shared because they are partially business and partially personal costs)
 - For example, you purchase a washer & dryer. You use the washer & dryer regularly for the child care kids. But, you also use it for your family. Therefore, it's a shared expense.

Common Deductions (FCC)

- Den/Playroom: toys, rugs, furniture, books, materials
- Outdoors: lawn mower, rake, shovel, fence, patio furniture, outdoor toys, etc.
- Living Room: Curtains, furniture, lamps, ceiling fan, etc.
- Bathroom: towels, soap, toilet paper, rug, etc.
- Garage/basement: tools, freezer, storage shelves, etc.
- COVID-19 related: PPE, disinfectants, thermometers, room dividers, deep cleaning, cleaning services, food deliveries, curriculum, activity expenses, technology, painting, repairs, etc.)

House Related Deductions

- Property tax, mortgage interest, rent, utilities (gas, electric, water, sewer, cable TV, WIFI, insurance, repairs, etc.)

For FCC, if an item is exclusively for business, it's 100% deductible. If it's a shared use, then you apply the Time-Space Percentage. What's that? 😊 That's [IRS Form 8829](#). The next few slides will review the basics on the time-space percentage and Form 8829.



2023 – Shared Expenses, IRS Form 8829

The time-space percentage is a formula used to determine how much of your shared (business & personal) expenses you can deduct.

- **Time Percent:** The number of hours you use your home for your business. **All hours (not just with kids)!**
- **Space Percent:** The number of square feet you use on a regular basis for your business. **(All space the kids use and you use for business. E.g., the freezer in the basement)**
- **Time % x Space % = the Time-Space Percentage** (which is applied against the shared expenses for the deductible amount)

The result: (For example)

- \$50 arts and craft supplies used 100% for business = \$50 business deduction (**Use Schedule C**)
- \$100 toy used for both business and personal purposes x 60% Time-Space % = \$60 business deduction (**Form 8829**)
- \$50 sweater for yourself = zero business deduction. Personal expenses are not deductible

Sample Form 8829

Form 8829 Expenses for Business Use of Your Home
OMB No. 1545-0074
2023
Attachment Sequence No. 176

Department of the Treasury
Internal Revenue Service
Name(s) of proprietor(s) _____ Your social security number _____

Go to www.irs.gov/Form8829 for instructions and the latest information.

Part II 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 %

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 8,760 5 hr.

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 %

Part III Figure Your Allowable Deduction

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.

9 Casualty losses (see instructions) 9 (a) Direct expenses (b) Indirect expenses

10 Deductible mortgage interest (see instructions) 10

11 Real estate taxes (see instructions) 11

12 Add lines 9, 10, and 11 12

13 Multiply line 12, column (b), by line 7 13

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

18 Insurance 18

19 Rent 19

20 Repairs and maintenance 20

21 Utilities 21

22 Other expenses (see instructions) 22

23 Add lines 16 through 22 23

24 Multiply line 23, column (b), by line 7 24

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) 29

30 Depreciation of your home from line 42 below 30

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 34

35 Casualty loss portion, if any, from lines 14 and 33. Carry amount to Form 4684. See instructions. 35

36 Allowable expenses for business use of your home. Subtract line 35 from line 34. Enter here and on Schedule C, line 30. If your home was used for more than one business, see instructions 36

Part III Depreciation of Your Home

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 IV Carryover of Unallowed Expenses to 2024

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

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 13232M Form 8829 (2023)

Date	Daily Time with Children	Time without Children										Total Daily Time
		Cleaning	Laundry	Preparing Lessons	Admin (paying bills, managing accounts)	Trainings, Professional Development	Shopping for FCC program	Webinars, Zoom meetings	Research for FCC Program (e.g. COVID best practices)	Yard Care (e.g., lawn care, shoveling snow)	Parent Engagement (talking to parents outside of child care hours)	
1/2/2021	9	2	1	2	3	1	2	1	1	1	1	24
1/3/2021	9	2	1	2					1		1	16

For Example: Fill in the chart below. Be sure to modify the first 2 lines to reflect your hours. These are just examples to fill out the form.

Tax Tip: Use this FCC Time Tracker! [English](#) & [Spanish](#)

2023 – Form 8829 /A Closer Look at the Time-Space Percentage

IRS Form 8829 Worksheet

The expenses on this list align with IRS Form 8829 (Part II Allowable Deductions)

Time-Space Calculation

Part I. Part of Your Home Used for Business

Square feet used for business (include your garage, basement, and deck if you use them for business).
For example, maybe you have an extra refrigerator in the basement or store toilet paper and paper towels in the garage.

Total square feet for your home (use the garage, basement, and deck/porch if you use them for business and included them above).

Divide your business space by your total space

List the total hours you worked for the year operating your business (the hours that children are in your care plus the hours you worked to support your business such as cleaning, preparing lessons, admin related to billing parents or reconciling accounts, time spent on webinars or trainings, talking to parents, etc.).

Divide the hours you worked by 8,760

Multiply the space % by the hour %

This is your time-space percentage that will be used to claim a portion of your shared expenses as a business expense.

A Closer Look at IRS Form 8829 Part I, Business use of Your Home

Part I 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)
2	Total area of home
3	Divide line 1 by line 2. Enter the result as a percentage
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
5	If you started or stopped using your home for daycare during the year, see instructions; otherwise, enter 8,760
6	Divide line 4 by line 5. Enter the result as a decimal amount
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

Line 7 is your time-space percentage.

The **time-space percentage** will be used against the expenses on the back side of this worksheet to determine the percentage of the expense that is allowed as a deduction for business purposes. Expenses that are 100% for business are listed on Schedule C as one part of your overall deductible expense calculation. Form 8829 collects shared expenses (the expenses that are partly for business and partly for personal use). These expenses are multiplied by the time-space percentage to determine the amount of the expense that you can deduct for business purposes.

Resources for You

HOME / SUCCESSFUL PROGRAM MANAGEMENT / FAMILY CHILD CARE TOOLKIT / TAX TIPS

TAX TIPS

Taking the Mystery out of Tax Filing

Tax time can be confusing and overwhelming for everyone, including family child care providers. The basic concept for family child care providers revolves around two questions to determine taxes that you will pay:

- What is your income?
- What are your expenses?

However, it is not always straightforward. And, it depends to a large extent on records that you keep. That is why preparing to your tax returns (organizing the amount of money you received as income and the amount of money you spent to operate your business) is so important. There are also some special rules for family child care providers on shared expenses (e.g., mortgage interest or rent and utilities are shared expenses because they represent expenses that are partially for business purposes and partially for personal use).

Learning & Guidance

OVERVIEW:

Tax Cyclopedia explains the tax return process for 2023. While this is a bit dated, the general concepts remain accurate and helpful.

<https://www.njsharedresources.org/successful-program-management/family-child-care-toolkit/tax-tips/>

SHARED EXPENSES:

This section provides clarification about deductions when expenses are partially for personal purposes and partially for business purposes.

- Business Use of Your Home** : IRS Publication 587 - includes a section on Family Child Care – see pages 12 & 13
- Calculating the Time-Space Percentage (Overview Summary) ([English](#)) ([Spanish](#))
- Understanding the Time-Space Percentage Used to Claim Business Expenses on Your Tax Forms - A one page explainer ([English](#)) ([Spanish](#))
- Time-Space Percentage Worksheet**: this tool will help you calculate the business use of your home and property
- Monthly FCC Provider Time Tracker Template**: this tool will help you document the time component of the time-space calculation for tracking time with children and without children in operating your home child care business
- IRS Form 8829 Explainer Tool**: A one-page explainer tool to help you understand Expense Deductions for the Business Use of Your Home
- IRS Form 8829 Worksheet**: A closer look at the allowable deductions categories with a worksheet aligned with the categories on Form 8829

Form 8829 worksheet: [English](#) & [Spanish](#)

Time-Space Percentage worksheet: [English](#) & [Spanish](#)

2023 – Form 8829 /Worksheet to Help Calculate Time-Space Percentage

FCC Toolkit Excel Template to help calculate the time-space percentage [English](#) & [Spanish](#)

Resources for You

HOME / SUCCESSFUL PROGRAM MANAGEMENT / FAMILY CHILD CARE TOOLKIT / TAX TIPS	
IN THIS SECTION	TAX TIPS
Family Child Care Toolkit	Taking the Mystery out of Tax Filing
Business Basics & Professionalism >	Tax time can be confusing and overwhelming for everyone, including family child care providers. The basic concept for family child care providers revolves around two questions to determine taxes that you will pay:
Tax Tips for NJ FCC Providers	• What is your income?
Classroom & Activities	• What are your expenses?
Emergency Readiness	However, it is not always straight forward. And, it depends to a large extent on records that you keep. That is why preparing to file your tax returns (organizing the amount of money you received as income and the amount of money you spent to operate your business) is so important. There are also some special rules for family child care providers on shared expenses (e.g., mortgage interest on rent and utilities, are shared expenses because they represent expenses that are partially for business purposes and partially for personal use).
Family Engagement	Learning & Guidance
Financial Relief for Small Businesses	OVERVIEW:
Health & Safety	Tom Copeland explains the tax return process for 2023. While this is a bit dated, the general concepts remain accurate and helpful.
Human Resources	
Marketing	
Meals & Nutrition	
Regulations	
Tax Tips	
Training & PD	

<https://www.njsharedresources.org/successful-program-management/family-child-care-toolkit/tax-tips/>

SHARED EXPENSES:

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- [Time-Space Percentage Worksheet](#): this tool will help you calculate the business use of your home and property
- [Monthly FCC Provider Time Tracker Template](#): this tool will help you document the time component of the time-space calculation for tracking time with children and without children in operating your home child care business
- [IRS Form 8829 Explainer Tool](#): A one-page explainer tool to help you understand Expense Deductions for the Business Use of Your Home
- [IRS Form 8829 Worksheet](#): A closer look at the allowable deductions categories with a worksheet aligned with the categories on Form 8829



Enter the information in the green areas below to obtain the total time/space calculation. All the blue highlighted areas will automatically calculate for you.

		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	ANNUAL TOTALS
Part 1	Time													
	Total hours caring for children during the month	258	258	258	258	258	258	258	258	258	258	258	258	3096
	Total business hours when children aren't present	60	60	60	60	60	60	60	60	60	60	60	60	720
	Total business hours	318	318	318	318	318	318	318	318	318	318	318	318	3816
	Percentage of Time*	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%
Part 2	Space -- 100% use for child care													
	Total 100% of areas used for child care (square feet)	1200												1200
	Total square footage of your home	3000												3000
	Total Exclusive Child Care Use	40.0%												40.0%
Part 3	Space -- Mixed-Use (Business & Personal)													
	Total area mixed use (square feet)	1500												1500
	Total square footage of your home	3000												3000
	Total Mixed Use Space	50.0%												50.0%
Total	Total Business Use (Time x Space)													
	Time % multiplied by Mixed Use	0.217808												0.217808
	Exclusive Use	40.0%												40.0%
	Total Business Use = Time x Space	61.8%												61.8%
*Note: Spreadsheet calculated annual Part 1 - Percentage of time x 8,760 (number of hours in a year) for 2023 tax year														
The number of hours in a leap year should be adjusted to 8,784. (Leap years 2024, 2028, 2032, 2036)														

Regular word description (not Excel)

Form 8829 worksheet: [English](#) & [Spanish](#)

Time-Space Percentage Explainer (1 pager): [English](#) & [Spanish](#)

60 hours per week with kids (x 4.3 weeks per month)

43.6% * 50% = 21.7% (Mixed Use)
40% (Exclusive Use)
Total: 21.7% + 40% = 61.8%

2023 – Shared Expenses, IRS Form 8829

Part II. Calculating Allowable Deductions for Shared Expenses (Business & Personal Use)		
Category	Description	Total Expenses
Mortgage Interest	Enter the interest you paid on your mortgage for the year, but not your mortgage principal	
Real Estate Taxes	Enter your real estate taxes for the year	
Insurance	Enter your homeowner's insurance	
Rent	If you made rent payments, enter the annual amount paid	
Repairs & Maintenance	If you had repairs and maintenance expenses of a shared nature, list those expenses here	
Utilities	Enter your utility expenses here (e.g., electricity, gas, oil, water, etc.)	
Other Expenses	These are other shared expenses such as internet, cable, phone, common area repairs such as a bathroom or den everyone uses not just the <u>child care</u> children, cleaning services, lawn care, snow removal, leaf raking, laundry machine, dishwasher, etc.	
Total	The total of your shared expenses	

A Closer Look at IRS Form 8829 Part II : Allowable Deductions

Part II Figure Your Allowable Deduction

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.		
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	12
13	Multiply line 12, column (b), by line 7	13
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
18	Insurance	18
19	Rent	19
20	Repairs and maintenance	20
21	Utilities	21
22	Other expenses (see instructions)	22
23	Add lines 16 through 22	23
24	Multiply line 23, column (b), by line 7	24
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)	29
30	Depreciation of your home from line 42 below	30
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	34
35	Casualty loss portion, if any, from lines 14 and 33. Carry amount to Form 4684 . See instructions	35
36	Allowable expenses for business use of your home. Subtract line 35 from line 34. Enter here and on Schedule C, line 30. If your home was used for more than one business, see instructions	36

Line 23 asks you to total all of your shared expenses. Line 24 then multiplies that total by the time-space percentage – line 7 is on the front side of this explainer document. The result is the amount of your shared expenses that you are allowed to claim as a deduction for business purposes.

Form 8829 Explained

- The top (Part I) is the time-space percentage.
- The bottom (Part II) is for shared expenses (deductions)

Line 24: Multiplies the total of your shared expenses (line 23) by line 7- your time-space percentage

Line 36: This is the amount you copy over to Schedule C line 30.

FCC Toolkit Form 8829 worksheet:
[English](#) & [Spanish](#)

2023 – Expenses

Using Form 8829 (Expenses for Business Use of Your Home)

Top of Form

Form 8829 **Expenses for Business Use of Your Home** OMB No. 1545-0074
File only with Schedule C (Form 1040). Use a separate Form 8829 for each home you used for business during the year.
Department of the Treasury Internal Revenue Service **2023** Attachment Sequence No. 176
Go to www.irs.gov/Form8829 for instructions and the latest information.

Name(s) of proprietor(s) _____ Your social security number _____

Part I 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 _____ %

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 8,760 5 _____ hr.

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 _____ %

Part II Figure Your Allowable Deduction

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.

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 12 _____

13 Multiply line 12, column (b), by line 7 13 _____

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 _____

18 Insurance 18 _____

19 Rent 19 _____

20 Repairs and maintenance 20 _____

21 Utilities 21 _____

22 Other expenses (see instructions) 22 _____

23 Add lines 16 through 22 23 _____

24 Multiply line 23, column (b), by line 7 24 _____

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) 29 _____

30 Depreciation of your home from line 42 below 30 _____

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 34 _____

35 Casualty loss portion, if any, from lines 14 and 33. Carry amount to Form 4684. See instructions 35 _____

36 Allowable expenses for business use of your home. Subtract line 35 from line 34. Enter here and on Schedule C, line 30. If your home was used for more than one business, see instructions 36 _____

Line 10(b) for mortgage loan interest

Line 11(b) for property tax

Line 18(b) home owners insurance

Line 19(b) for rent

Line 21(b) for utilities

Line 42 house depreciation

Don't worry so much about the forms.

What is most important is to understand the concepts.

- Remember: a tax preparer is a deductible expense. 😊

Bottom of Form

Part III Depreciation of Your Home

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 IV Carryover of Unallowed Expenses to 2022

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 _____

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 13232M Form 8829 (2021)

2023 – Expenses

When to use Schedule C vs Form 8829)?

SCHEDULE C (Form 1040)		Profit or Loss From Business (Sole Proprietorship)		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065. Go to www.irs.gov/ScheduleC for instructions and the latest information.		2023 Attachment Sequence No. 09	
Name of proprietor		Social security number (SSN)			
A Principal business or profession, including product or service (see instructions)		B Enter code from instructions			
C Business name. If no separate business name, leave blank.		D Employer ID number (EIN) (see instr.)			
E Business address (including suite or room no.) City, town or post office, state, and ZIP code					
F Accounting method: (1) <input 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 2023? If "No," see instructions for limit on losses		<input type="checkbox"/> Yes <input type="checkbox"/> No			
H If you started or acquired this business during 2023, check here		<input type="checkbox"/> Yes <input type="checkbox"/> No			
I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions		<input type="checkbox"/> Yes <input type="checkbox"/> No			
J If "Yes," did you or will you file required Form(s) 1099?		<input type="checkbox"/> Yes <input type="checkbox"/> No			
Part I Income					
1 Gross receipts or sales. See instructions for line 1 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 <input type="checkbox"/>		1			
2 Returns and allowances		2			
3 Subtract line 2 from line 1		3			
4 Cost of goods sold (from line 42)		4			
5 Gross profit. Subtract line 4 from line 3		5			
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			
Part II Expenses. Enter expenses for business use of your home only on line 30.					
8 Advertising		8			
9 Car and truck expenses (see instructions)		9			
10 Commissions and fees		10			
11 Contract labor (see instructions)		11			
12 Depletion		12			
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions)		13			
14 Employee benefit programs (other than on line 19)		14			
15 Insurance (other than health)		15			
16 Interest (see instructions):		16			
a Mortgage (paid to banks, etc.)		16a			
b Other		16b			
17 Legal and professional services		17			
18 Office expense (see instructions)		18			
19 Pension and profit-sharing plans		19			
20 Rent or lease (see instructions):		20			
a Vehicles, machinery, and equipment		20a			
b Other business property		20b			
21 Repairs and maintenance		21			
22 Supplies (not included in Part III)		22			
23 Taxes and licenses		23			
24 Travel and meals:		24			
a Travel		24a			
b Deductible meals (see instructions)		24b			
25 Utilities		25			
26 Wages (less employment credits)		26			
27a Other expenses (from line 48)		27a			
b Energy efficient commercial bldgs deduction (attach Form 7205)		27b			
28 Total expenses before expenses for business use of home. Add lines 8 through 27b		28			
29 Tentative profit or (loss). Subtract line 28 from line 7		29			
30 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. Simplified method filers only: Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30		30			
31 Net profit or (loss). Subtract line 30 from line 29.		31			
32 If you have a loss, check the box that describes your investment in this activity. See instructions. • If a profit, enter on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (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. • If you checked 32a, enter the loss on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (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.		32			
32a <input type="checkbox"/> All investment is at risk.		32a			
32b <input type="checkbox"/> Some investment is not at risk.		32b			

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P Schedule C (Form 1040) 2023

FCC Providers –

You can deduct expenses on either IRS Schedule C or IRS Form 8829 (Expenses for Business Use of Your Home).

- Home related expenses (rent, mortgage interest, utilities, etc.) are reported on Form 8829. (They are shared)
- All other expenses are on Schedule C. (100% Business)

Form 8829		Expenses for Business Use of Your Home		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		File only with Schedule C (Form 1040). Use a separate Form 8829 for each home you used for business during the year. Go to www.irs.gov/Form8829 for instructions and the latest information.		2023 Attachment Sequence No. 176	
Name(s) of proprietor(s)		Your social security number			
Part I 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			
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 8,760		5		hr.	
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			
Part II Figure Your Allowable Deduction					
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		12			
13 Multiply line 12, column (b), by line 7		13			
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			
18 Insurance		18			
19 Rent		19			
20 Repairs and maintenance		20			
21 Utilities		21			
22 Other expenses (see instructions)		22			
23 Add lines 16 through 22		23			
24 Multiply line 23, column (b), by line 7		24			
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)		29			
30 Depreciation of your home from line 42 below		30			
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		34			
35 Casualty loss portion, if any, from lines 14 and 33. Carry amount to Form 4684. See instructions		35			
36 Allowable expenses for business use of your home. Subtract line 35 from line 34. Enter here and on Schedule C, line 30. If your home was used for more than one business, see instructions		36			
Part III Depreciation of Your Home					
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). Multiply line 40 by line 41. Enter here and on line 30 above		41			
42 Depreciation allowable (see instructions). Multiply line 40 by line 41. Enter here and on line 30 above		42			
Part IV Carryover of Unallowed Expenses to 2024					
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			

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 13232M Form 8829 (2023)

2023 – Car Expenses

What's best?
Ask your task
preparer.

Vehicle Expenses – Standard Mileage

- Claim vehicle expenses that are “primarily” business purposes (dropping off or picking up child care children at school or shopping for items used in your program)
- Keep records of business trips (receipts, mileage logs, cancelled checks, parking lot receipts, tolls, etc.)
- Business portion of car loan interest (e.g., business miles/total miles)
- **Standard mileage rates: (2023)**
 - 65.5 cents per mile from January 1, 2023 – December 31, 2023.

<https://www.irs.gov/tax-professionals/standard-mileage-rates>

Vehicle Expenses – Actual Expenses

- Claim business portion of:
 - Gas, oil changes, repairs, car insurance, tires, parking, tolls, depreciation on the car, car loan interest, AAA, jumper cables, ice scraper, maintenance, etc.
 - You must save receipts.
 - You can also claim depreciation.

The business portion (allowable deduction) is based on the total miles/business miles. E.g., $2,000/10,000 = 20\%$. So, receipts x 20%. Depreciation is calculated separately.

To claim vehicle expenses, your vehicle can be a business vehicle or a personal vehicle.

- If the vehicle is used 100% for business, you can deduct 100% of the costs (repairs, maintenance, gas). You can deduct business interest on the loan, but would need to depreciate the vehicle.

2023 – The Food Program (CACFP) and Meal Expenses

What's best?
Easy vs lots of
record-
keeping

Standard Meal Allowance

- **No need to save receipts.**
- At the end of the year, add up all meals and snacks you served and multiply by the annual standard meal allowance rate
- 2023 rate
 - \$1.66 for breakfast, \$3.04 for lunch/dinner; 97 cents per snack
 - 1 breakfast, 1 lunch, 3 snacks per child (plus dinner if applicable)

For example, a child eating breakfast and lunch and 3 snacks daily is \$7.61 per day, \$38.05 per week, \$1,978.60 per year. **If you have 5 kids, that's \$9,893 per year (if any have dinner with you, it's more).**

***Note: No deduction for your own child(ren)**

Actual Food Cost Method

- Keep all food receipts
- Estimate food/costs for child care children (you can't count your child's food)
- Need to make sure you have both business and personal food receipts.

If you receive funds from the Food program (the Child and Adult Care Food Program, CACFP), that is income.

- But, you can also take the standard meal allowance for deductions
- Non-reimbursed meals/snacks do not have to meet the USDA nutrition guidelines. They are still deductible.

Tip: Online FCC Toolkit: Meal Tracker Template (excel) [English](#) & [Spanish](#)
[Food Rate for 2023](#) (spring 2024 taxes); [rate for 2024](#) (spring 2005 taxes)

Free Tax Help - IRS

- [IRS Tax Guide for Small Business](#) (Publication 334)
- [IRS.gov/Help](#): A variety of tools to help you get answers to some of the most common tax questions.
- [IRS.gov/ITA](#): The Interactive Tax Assistant, a tool that will ask you questions and, based on your input, provides answers on a number of tax law topics.
- [IRS tax information in languages other than English](#)
- [IRS.gov/Forms](#): Find forms, instructions, and publications.
 - [IRS schedule C form and related information/instructions](#)
 - [IRS form 829 and related information/instructions](#)
 - [IRS form 4562, Depreciation, and related information](#)
- [IRS Taxpayer Advocate Service](#). You can also call them at 877-777-4778.

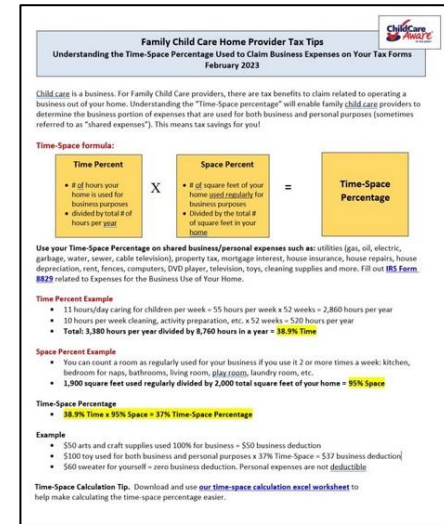
IRS Videos

- [IRS Business Tax Videos](#)
- [IRS Small Business Tax Workshop Video](#)

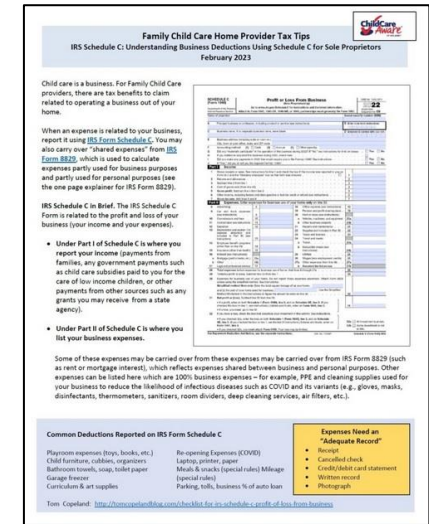
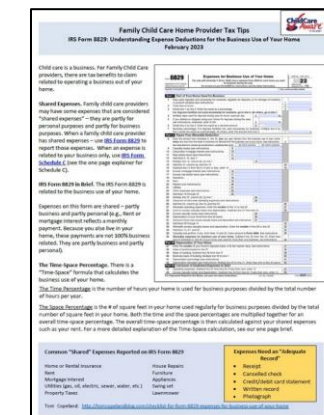
The following IRS YouTube channels provide short, informative videos on various tax-related topics in English, Spanish, and ASL.

- [Youtube.com/irsvideos](https://www.youtube.com/irsvideos)
 - [Youtube.com/irsvideomultilingua](https://www.youtube.com/irsvideomultilingua)
 - [Youtube.com/irsvideosASL](https://www.youtube.com/irsvideosASL)
-
- Small Business Development Centers. [Find one near you.](#)
 - Tom Copeland, [How to Find, Choose and Work with a Tax Professional](#)
 - Tom Copeland, [Questions to Ask Your Tax Professional](#), [Questions Your Tax Preparer Must Answer Correctly](#) (or find another)

1 Page Explainers



Time-Space Percentage One Pager
[English](#) & [Spanish](#)

Schedule C One Pager [English](#) & [Spanish](#)

IRS Form 8829 One Pager **English & Spanish**

You can also talk with a Spanish-speaking IRS representative by calling (toll free) 1-800-829-1040.

FCC Toolkit: Tax Tip Section Resources

Select language!

HOME / SUCCESSFUL PROGRAM MANAGEMENT / FAMILY CHILD CARE TOOLKIT / TAX TIPS

IN THIS SECTION

Family Child Care Toolkit

Business Basics & Professionalism >

Tax Tips for NJ FCC Providers

Classroom & Activities

Emergency Readiness

Family Engagement

Financial Relief for Small Businesses

Health & Safety

Human Resources

Marketing

Meals & Nutrition

Regulations

Tax Tips

Training & PD

TAX TIPS

Taking the Mystery out of Tax Filing

Tax time can be confusing and overwhelming for everyone, including family child care providers. The basic concept for family child care providers revolves around two questions to determine taxes that you will pay:

- What is your income?
- What are your expenses?


However, it is not always straight forward. And, it depends to a large extent on records that you keep. That is why preparing to file your tax returns (organizing the amount of money you received as income and the amount of money you spent to operate your business) is so important. There are also some special rules for family child care providers on shared expenses (e.g., mortgage interest or rent and utilities are shared expenses because they represent expenses that are partially for business purposes and partially for personal use).

Learning & Guidance




OVERVIEW:

Tom Copeland explains the tax return process for 2021. While this is a bit dated, the general concepts remain accurate and helpful.

FINDING A PROFESSIONAL TO HELP YOU PREPARE AND FILE YOUR TAX RETURNS


- [Finding a Tax Professional to Help You](#)  (by Tom Copeland)
- [How to Find and Choose a Tax Preparer Video](#)  (by Tom Copeland)
- Need someone to prepare your tax return? [\(English\)](#)  [\(Spanish\)](#) 

BUSINESS EXPENSES (DEDUCTIONS):

- Basic Deductions to Lower Your Taxes [\(English\)](#) [\(Spanish\)](#)
- [IRS Schedule C](#): Understanding Business Deductions Using Schedule C for Sole Proprietors - A one page explainer
- [IRS Schedule C](#): An expense worksheet aligned with the categories on Schedule C
- [2022 Standard Mileage Rate](#) 
- [Questions and Answers About Deductions - Part 1](#) 
- [Questions and Answers About Deductions - Part 2](#) 

SHARED EXPENSES:

This section provides clarification about deductions when expenses are partially for personal purposes and partially for business purposes.

- [Business Use of Your Home](#) : IRS Publication 587 - includes a section on Family Child Care - see pages 12 & 13
- Calculating the Time-Space Percentage (Overview Summary) [\(English\)](#) [\(Spanish\)](#)
- Understanding the Time-Space Percentage Used to Claim Business Expenses on Your Tax Forms - A one page explainer [\(English\)](#) [\(Spanish\)](#)
- [Time-Space Percentage Worksheet](#): this tool will help you calculate the business use of your home and property
- [Monthly FCC Provider Time Tracker Template](#): this tool will help you document the time component of the time-space calculation for tracking time with children and without children in operating your home child care business
- [IRS Form 8829 Explainer Tool](#): A one-page explainer tool to help you understand Expense Deductions for the Business Use of Your Home
- [IRS Form 8829 Worksheet](#): A closer look at the allowable deductions categories with a worksheet aligned with the categories on Form 8829

Tips & Templates

Time-Space Percentage:

- Time-Space Percentage Worksheet (Excel) [English](#) & [Spanish](#)
- 1 Page Explainer (PDF) [English](#) & [Spanish](#)

Getting Organized.

- Monthly FCC Provider Time Tracker Template [English](#) & [Spanish](#)
- Monthly Expense Log [English](#) & [Spanish](#)
- Monthly Attendance Fees and Meal Log [English](#) & [Spanish](#)

Expense Worksheets

- IRS Schedule C expense worksheet [English](#) & [Spanish](#)
- IRS Form 8829 expense worksheet [English](#) & [Spanish](#)

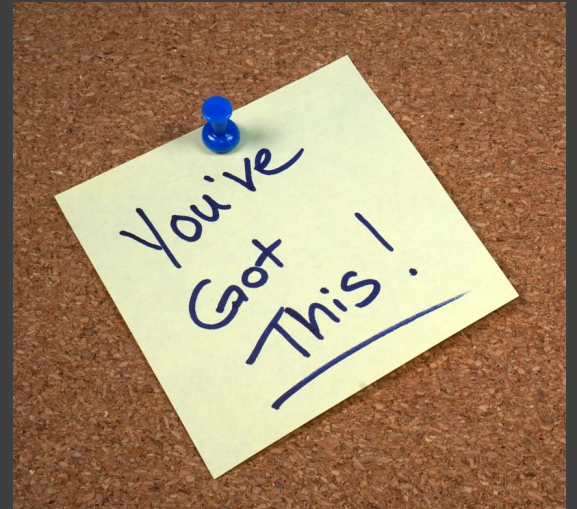
<https://www.njsharedresources.org/successful-program-management/family-child-care-toolkit/tax-tips/>

Want to maximize your income? Start with reducing your tax liability.
It's all about the record-keeping...



Finding a Professional to Help You Prepare and File Your Tax Returns

- [Finding a Tax Professional to Help You](#) (by Tom Copeland)
- [How to Find and Choose a Tax Preparer Video](#) (by Tom Copeland)
- IRS: Need someone to prepare your tax return? ([English](#))([Spanish](#))



Questions???

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* With much thanks, gratitude, and appreciation to Tom Copeland for all his shared wisdom over the years. 😊