

Family Child Care Home Provider Tax Tips IRS Schedule C: Understanding Business Deductions Using Schedule C for Sole Proprietors March 2024

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 related to your business, report it using <u>IRS Form Schedule C</u>. You may also carry over "shared expenses" from <u>IRS</u> <u>Form 8829</u>, which is used to calculate expenses partly used for business purposes and partly used for personal purposes (see the one page explainer for IRS Form 8829).

IRS Schedule C in Brief. The IRS Schedule C Form is related to the profit and loss of your business (your income and your expenses).

- Under Part I of Schedule C is where you report your income (payments from families, any government payments such as child care subsidies paid to you for the care of low income children, or other payments from other sources such as any grants you may receive from a state agency).
- Under Part II of Schedule C is where you list your business expenses.

| (For | IEDULE C m 1040) tment of the Treasury al Revenue Service | Profit or Loss From Business (Sole Proprietorship) Attach to Form 1040, 1040-SR, 1040-SR, 1040-NR, or 1041; partnerships must generally file F Go to www.irs.gov/Schedule/C for instructions and the latest information. | | | | | orm 1065. 2023 Attachment Sequence No. 09 | | | |
|----------|---|---|----------------|-------------------------------|--|-------|---|---|---|--|
| | e of proprietor | | | | | | ocial sec | urity number (SSN) | _ | |
| A | Principal business or p | Principal business or profession, including product or service (see instructions) | | | | | | B Enter code from instructions | | |
| с | Business name. If no | ess name. If no separate business name, leave blank. | | | | | D Employer ID number (EIN) (see instr.) | | | |
| | | | | | | | | | | |
| E | Business address (including suite or room no.) | | | | | | | | | |
| F | City, town or post office, state, and ZIP code | | | | | | | | | |
| G | Accounting method: (1) Cash (2) Accrual (3) Other (specify) 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 | | | | | | | | | |
| | Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions | | | | | | | | | |
| | If "Yes," did you or will you file required Form(s) 1099? | | | | | | | | | |
| Par | tl Income | - C | | | | | | | | |
| 1 | | es. See in | structions for | ine 1 and check the box if | this income was reported to you | on | | | _ | |
| | Form W-2 and the "St | tatutory e | | | | | 1 | | | |
| 2 | Returns and allowanc | ces | | | | : e] | 2 | | | |
| 3 | Subtract line 2 from li | ine 1 . | 9.9.8.8 | | | 1 | 3 | | | |
| 4 | Cost of goods sold (fr | | | | | • | 4 | | | |
| 5 | Gross profit. Subtrac | | | | | | 5 | | | |
| 6 | | | | oline or fuel tax credit or r | efund (see instructions) | | 6 | | | |
| 7 | Gross income. Add I | | | isiness use of your ho | | | 7 | | _ | |
| Par 8 | | | | 18 | | | 18 | | _ | |
| | Advertising | S. S | 8 | 18 | Office expense (see instruction Pension and profit-sharing plan | | 18 | | | |
| 9 | Car and truck exp (see instructions) . | | 9 | 20 | Rent or lease (see instructions) | | 19 | | - | |
| 10 | Commissions and fee | | 10 | 20 | | | 20a | | | |
| 11 | Contract labor (see instru | | 11 | b | | | 20b | | - | |
| 12 | Depletion | | 12 | 21 | Repairs and maintenance . | | 21 | | | |
| 13 | Depreciation and secti | ion 179 | | 22 | Supplies (not included in Part I | II) . | 22 | | | |
| | expense deduction included in Part III | | | 23 | Taxes and licenses | | 23 | | | |
| | instructions) | | 13 | 24 | Travel and meals: | | | | | |
| 14 | Employee benefit pro | ograms | | a | Travel | | 24a | | | |
| | (other than on line 19) | | 14 | b | Deductible meals (see instruction | | 24b | | | |
| 15 | Insurance (other than | | 15 | 25 | Utilities | | 25 | | | |
| 16 | Interest (see instructio | | | 26 | Wages (less employment credi | | 26 | | - | |
| a | marina hana ta sant | | 16a | | Other expenses (from line 48) . | 1.100 | 27a | | | |
| b 17 | Other Legal and professional s | 32 | 16b | b | Energy efficient commercial bl deduction (attach Form 7205). | | 27b | | | |
| 28 | | | | a upp of home. Add lines f | | | 28 | | | |
| 29 | Total expenses before expenses for business use of home. Add lines 8 through 27b | | | | | | 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: | | | | | u | 30 | | | |
| 31 | Net profit or (loss). Subtract line 30 from line 39. | | | | | | 50 | | | |
| | 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. | | | | | | 31 | | | |
| 20 | 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. | | | | | | 32b 🔲 S | All investment is at ri Some investment is r it risk. | | |
| | If you checked 32b, you must attach Form 6196. Your loss may be limited. perwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P | | | | | 0 | 8 | IL HON. | _ | |

Some of these expenses may be carried over from IRS Form 8829 (such as rent or mortgage interest), which reflects expenses shared between business and personal purposes. Other expenses can be listed here which are 100% business expenses – for example, PPE and cleaning supplies used for your business to reduce the likelihood of infectious diseases, playroom expenses, garage freezer if solely used for your child care business, curriculum and art supplies, etc.

Common Deductions Reported on IRS Form Schedule C

Playroom expenses (toys, books, etc.) Child furniture, cubbies, organizers Bathroom towels, soap, toilet paper Garage freezer Curriculum & art supplies Re-opening Expenses (COVID) Laptop, printer, paper Meals & snacks (special rules) Mileage (special rules) Parking, tolls, business % of auto loan

Expenses Need an "Adequate Record"

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

Tom Copeland: http://tomcopelandblog.com/checklist-for-irs-schedule-c-profit-of-loss-from-business