







Family Child Care Home Provider Tax Tips IRS Schedule C: Understanding Business Deductions Using Schedule C for Sole Proprietors 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 related to your business, report it using <u>IRS Form Schedule C</u>. You may also carry over "shared expenses" from <u>IRS 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.

- 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. Some of these may be carried over from IRS Form

		Profit or Loss From Business (Sole Proprieteralip) Go to www.lrs.gov/ScheduleC for instructions and the latest information. Form 1040, 1040-SR, 1040-NR, or 1041 partnerships generally must file Fo				OMB No. 1545-0074 2020 Attachment Sequence No. 09		0	
	of proprietor		***************************************		Social secu				
A	Principal business or profession	ncipal business or profession, including product or service (see instructions)					B finter code from instructions		
0	Business name. If no separate business name, leave blank,					ID mun	nber (EIN) (s	oe instr.)	
E	Business address (including suite or room no.) ^{III}								
F	City, town or post office, state		Account on Da	Other for an M.A. II					
a	Accounting method: (1) Cash (2) Accrusi (3) Other (specify) II Did you "materially participate" in the operation of this business during 20007 if "No." see instructions for limit on losses. Yes No								
н									
	If you started or acquired this business during 2020, check here								
1	Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions								
Par	Income	required rotting) 10	7001	24 - 24 - 2021 - 204 - 202	E E 4		□ .00		
1		nisternations day Pro- *	and shook the P I	this income was reported to you or	1			_	
-3				this income was reported to you or	1,1				
2	Returns and allowances				2			_	
3	Subtract line 2 from line 1				3				
4		495			4			_	
5		Cost of goods sold (from line 42) Gross profit, Subtract line 4 from line 3						_	
6	Gross profit. Subtract line 4 from line 3 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)				6			_	
7	Gross income. Add lines 5 a		for fuel tax credit or i	returno (see instructions)	7			_	
	II Expenses. Enter exp		e upp of your hom	on anly on line 30	11			_	
8	Advertising	8	18	The same of the sa	Lan			_	
9	Car and truck expenses (see	0	19	Office expense (see instructions) Pension and profit-sharing plans	18			_	
9	Instructions). , . , ,	9	20	Rent or lease (see instructions):	19			_	
10	Commissions and fees	10		Vehicles, machinery, and equipment	20a				
11	Contract labor (see instructions)	11		Other business property	20a	_		_	
12	Depletion	12	21	Repairs and maintenance				_	
13	Depreciation and section 179	12		Supplies inot included in Part III)				_	
	expense deduction (not			Taxes and licenses , , , , ,	23	_		_	
	included in Part III) (see instructions)	13	24	Travel and meals:	23			_	
14	Employee benefit programs	10	a	Travel	24a				
14	(other than on line 19)	14	100	Deductible meals (see	244			_	
15	Insurance (other than health)	15	В.	instructions)	24h				
18	Interest (see instructions):		25	Utilities	25			_	
a	Mortgage (paid to banks, etc.)	16a	26	Wages (less employment credits)					
b	Other	16b	17.5	Other expenses (from line 48) .	27a			_	
17	Legal and professional services	17		Reserved for future use	276		1111111	111 00	
28				8 through 27a	28			_	
29				o illoughtera , w	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.								
24	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				
	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 32s, enter the loss on both Schedule 1 (Form 1040), line 3, and on Schedule								
	If you checked is:a, 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					32a All investment is at risk.			
	Form 1041, line 3,				32b Some investment is not				
	If you checked 32b, you must attach Form 6198. Your loss may be limited.				at riek,				

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 during COVID-19 (gloves, masks, disinfectants, thermometers, sanitizers, room dividers, deep cleaning services, air filters, 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