



TAX DEDUCTION ORGANIZER
Daycare ADDENDUM

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ADDENDUM TO TAX DEDUCTION ORGANIZER

Please use the following pages to record your self-employment information as a Daycare Provider. Use this Addendum to replace pages 11-16 in the main Tax Deduction Organizer (TDO). If you have another business in addition to the daycare, please complete pages 11-16 in the main TDO for that business.

The 10 Key Federal Tax Issues Unique to Family Child Care Providers That Every Daycare Provider Should Understand

1. The standard for claiming a room in the home as business use is “regular” use, not “exclusive use”. Day care children need not be present in a room for it to be used regularly for the business (storage, laundry, etc.).
2. The garage (attached or detached to the home) can be included in the total square feet of the home when calculating the business use of the home, if like most family child care providers, you are using your garage on a regular basis for your business because the garage is used as storage for the car, bicycles, tools, lawn maintenance items, firewood, etc.
3. Providers can claim a higher business use percent of their home if they have one or more rooms used “exclusively” in their business. Providers should add the space percentage of this exclusive use area to the time/space percentage of the rest of the home to calculate the total business use percent of the home. Note: “exclusive use” means that room is never used at night or on weekends when day care children are not present.
4. When counting the number of hours the home is used for business, include the number of hours day care children are present as well as the number of hours spent on business activities when the day care children are not present. These hours include time spent cleaning, activity preparation, parent interviews, record keeping, meal preparation, etc. However, be sure you do NOT count time spent buying groceries or going to the bank! These activities do not involve the business use of your home and that is what is tax deductible.
5. Reimbursements from the Child and Adult Care Food Program are taxable income to the provider. Reimbursements for the provider’s own child (assuming the provider is income-eligible) are not taxable income. Providers are entitled to deduct all food served to day care children, even if the food expense is greater than the Food Program reimbursement.
6. Providers who are not licensed or registered under their state law are still entitled to claim business use of their home expenses, if they have applied for, or are exempt from mandatory regulations.
7. If providing pet companionship for ADD and ADHD children, pet maintenance and expenses are deductible. Pets have been proven to help children with these challenges.
8. Air conditioners and special air filtration can be claimed as an expense when provided for children with asthma.
9. Pools and Jacuzzi maintenance is an allowed expense if the children are allowed to use these facilities. For example, swimming lessons or recreation.
10. It is important to have a written policy for your daycare parents. Please refer to page 4 which has considerations for your written policies that may help substantiate your deductions.

DAYCARE STANDARD MEAL AND SNACK RATES

Requirements to Deduct Meals

Any taxpayer engaged in the trade or business of providing family daycare (licensed or not) that is:

- non-medical does not involve a transfer of legal custody generally lasts for less than 24 hours each day may deduct the cost of food provided to eligible children in a family daycare. However, no portion of the cost of food provided to the family daycare provider's family is deductible. Since family daycare provider's normally purchase food that is used for their own families as well as food for the family daycare business, it is difficult to attribute the portion of the cost of food associated with the family daycare.

Per diem deduction

Family daycare providers are able to use a per diem meal allowance to deduct meals and snacks for children in the daycare. The allowance avoids the need to keep receipts from meal costs and should minimize record keeping and disputes with the IRS. These rates have been effective for taxable years beginning after December 31, 2002, and are adjusted annually for inflation. They follow the US Department of Agriculture's Child and Adult Food Care Program under CACFP Reimbursement Rates. The Tier I per diems are as follows:

Effective July 1, 2009 to June 30, 2010			
<u>Location of Family Daycare Provider</u>	<u>Breakfast</u>	<u>Lunch & Dinner</u>	<u>Snack</u>
States other than Alaska & Hawaii	\$1.19	\$2.21	\$0.66
Alaska	\$1.89	\$3.59	\$1.07
Hawaii	\$1.38	\$2.59	\$0.77
Effective July 1, 2008 to June 30, 2009			
<u>Location of Family Daycare Provider</u>	<u>Breakfast</u>	<u>Lunch & Dinner</u>	<u>Snack</u>
States other than Alaska & Hawaii	\$1.17	\$2.18	\$0.65
Alaska	\$1.86	\$3.53	\$1.05
Hawaii	\$1.36	\$2.55	\$0.76
Effective July 1, 2007 to June 30, 2008			
<u>Location of Family Daycare Provider</u>	<u>Breakfast</u>	<u>Lunch & Dinner</u>	<u>Snack</u>
States other than Alaska & Hawaii	\$1.11	\$2.06	\$0.61
Alaska	\$1.76	\$3.34	\$0.99
Hawaii	\$1.29	\$2.41	\$0.72
Effective July 1, 2006 to June 30, 2007			
<u>Location of Family Daycare Provider</u>	<u>Breakfast</u>	<u>Lunch & Dinner</u>	<u>Snack</u>
States other than Alaska & Hawaii	\$1.06	\$1.97	\$0.58
Alaska	\$1.69	\$3.20	\$0.95
Hawaii	\$1.24	\$2.31	\$0.69
Effective July 1, 2005 to June 30, 2006			
<u>Location of Family Daycare Provider</u>	<u>Breakfast</u>	<u>Lunch & Dinner</u>	<u>Snack</u>
States other than Alaska & Hawaii	\$1.06	\$1.96	\$0.58
Alaska	\$1.68	\$3.17	\$0.94
Hawaii	\$1.18	\$2.32	\$0.37

Family daycare providers may use either the standard meal & snack allowance or actual food costs each tax year to calculate their deduction. However, taxpayers using the standard rates must be consistent by using the rates for all deductible food costs during that taxable year. In addition, the standard rates do not apply to any non-food items, the actual cost of which may be deducted separately.

CONSIDERATIONS FOR YOUR WRITTEN POLICIES

1. Include your hours of operation.
2. Have parents sign their children in and out of your care daily.
3. Include a written section stating your TV policy to substantiate your deduction.
4. Include a written section regarding your policy for fieldtrips and outings.
5. Include a meal and snack policy. Your sign-in sheet will help substantiate this deduction.
6. If holiday and birthday parties are included as a regular service, all related expenses are deductible.
7. Include pool rules and the schedule for children's use if applicable.
8. Include a sleepover care section if an available service for your clients. Sleepover care increases the hours your home is available for child care service, which can increase your deductions.
9. Include a section stating your policy for onsite visitors.

PLEASE PROVIDE PROFITPOINTE WITH A COPY OF YOUR WRITTEN POLICIES

SELF-EMPLOYMENT AS A DAYCARE PROVIDER

(For other self-employment, please obtain pp 11-16 in the Tax Deduction Organizer from www.profitpoinite.com or from our office)

**DO NOT INCLUDE INFORMATION FOR CORPORATIONS OR PARTNERSHIPS
OR INCOME REPORTED ON W-2's ON THIS FORM**

CLIENT NAME _____ TAX YEAR _____

Childcare Business name _____ Date started _____

Physical Business Address _____

Owned by _____ Employer ID# (if any) _____

Are you still operating this business? YES NO **If no**, date business closed _____

YES NO Did you operate your business with the intent to make a profit?

YES NO Are all of your business expenses recorded in this organizer necessary & ordinary for the operation of this business?

CALCULATE YOUR OPERATING HOURS

1. Total number of operating hours **with** CHILDREN PRESENT: _____
(use items a-d below as a guide to calculate a total figure)

- a. M-F → Calculation example: Operating Hours per day x 5 days x 52 = (annual M-F hours)
- b. Sat → Calculation example: Operating Hours per Sat x # of hours x # of days = (annual Sat hours)
- c. Sun → Calculation example: Operating Hours per Sun x # of hours x # of days = (annual Sun hours)
- d. <Less> ANNUAL holiday hours = TOTAL OPERATING HOURS WITH CHILDREN PRESENT

2. Total number of operating hours **without** CHILDREN PRESENT: _____

Note: Calculate any hours of work you perform before children arrive and after children leave.

Be sure to include the following activities and any other activities that may not be listed:

(Reread Item 4 on page 2 - "8 Key Federal Tax Issues")

- | | |
|---|---|
| -Set out food for the day, light cleanup | -Prepare meals |
| -Clean bathroom | -Cleanup dishes, cleanup kitchen, empty trash, clean bathroom |
| -Food program paperwork | -Pickup and wash toys |
| -Heavy cleaning | -Vacuum, dust & mop |
| -Prepare menu and activity schedule for week | -Laundry (e.g. Tues, Thurs & Sat) |
| -Wash toys | -Phone referrals |
| -Late pickups / Early arrivals / Overnight card | -Prepare weekly receipts & general bookkeeping |

3. Total number of operating hours (above Items 1 + 2 = 3): _____

INCOME

INCOME: Childcare \$ _____ Food Program \$ _____
Bartering income \$ _____ Other \$ _____

TOTAL OF YOUR BUSINESS INCOME: \$ _____

LIST YOUR BUSINESS EXPENSES

IF YOU USE QUICKBOOKS, ENCLOSE A BACKUP FILE AND SKIP THIS PAGE.

Do **NOT** include expenses for business use of your home on this page (itemize them in Section A, page 7).

Do **NOT** include **ANY** equipment here that costs more than \$300 & has a useful life of more than one year (itemize in Section D, page 9).

DO NOT INCLUDE THESE EXPENSES ANYWHERE ELSE IN THE ORGANIZER – NO DUPLICATIONS PLEASE!

Advertising

\$ _____ Marketing supplies
\$ _____ Newspaper/Yellow Page ads
\$ _____ Printing & copies
\$ _____ Other

Education & Entertainment Costs (for Children)

\$ _____ Arts & crafts supplies
\$ _____ Association dues
\$ _____ Curriculum costs
\$ _____ Field trips
\$ _____ Holiday & birthday parties
\$ _____ Toys & games
\$ _____ Videos

Food

\$ _____ For Daycare Actual Per diem
\$ _____ Food Supplies (cups, paper plates,
hand wipes, antiseptic soap, etc.)

Insurance

\$ _____ Daycare rider on homeowner's policy
\$ _____ Childcare / Liability
\$ _____ Self-employed HEALTH
\$ _____ Other

Office Expense

\$ _____ Computer supplies
\$ _____ Office supplies—paper, pens, etc.
\$ _____ Postage & delivery
\$ _____ Other

Legal & Professional Services

\$ _____ Accounting
\$ _____ Legal fees
\$ _____ Other

Licenses

\$ _____ Provider registration
\$ _____ Dues and fees
\$ _____ Other

Rent

\$ _____ Equipment
\$ _____ Rent (other than home office)

Repairs & Maintenance \$ _____
(Other than house)

Supplies

\$ _____ Cleaning items
\$ _____ Other

Taxes \$ _____

Business Meals & Entertainment \$ _____
(not children)

Business Travel & Lodging \$ _____

Utilities (Only list here if your business is not in your home)

\$ _____ Electric / Gas
\$ _____ Garbage / Water

Telephone (Do not include cost of basic local service
on home line,)

\$ _____ Business and Fax Line(s)
\$ _____ Business Long Distance
\$ _____ Cellular / Mobile
\$ _____ Pager
\$ _____ Optional Services (voice mail, call
waiting, caller ID, etc.)

Wages \$ _____ Paid to Employees
(W-2's and quarterly 941's filed)

Contract Labor \$ _____ (1099's filed)

Other Expenses

\$ _____ Auto expenses reimbursed to
employees
\$ _____ Air Filtration System
\$ _____ Bad debt (Only if included in income)
\$ _____ Bank service charges for business
accounts
\$ _____ Employee Benefit Programs
\$ _____ Gifts
\$ _____ Internet access fee
\$ _____ Pet expenses for ADD/ADHD kids
\$ _____ Professional Development,
seminars, books
\$ _____ Subscriptions (Magazines &
newspapers)
\$ _____
\$ _____
\$ _____
\$ _____
\$ _____
\$ _____
\$ _____
\$ _____
\$ _____
\$ _____
\$ _____
\$ _____
\$ _____

SECTION A HOME INFORMATION

DO NOT DUPLICATE THE EXPENSES LISTED BELOW ANYWHERE ELSE ON THIS ORGANIZER!

If you have moved during this tax year, you must complete this page for EACH home.

CLIENT NAME: _____ (PLEASE WRITE YOUR NAME ON EACH SET PER BUSINESS)

ADDRESS OF THIS HOME: _____

NAME OF CHILDCARE BUSINESS THAT HOME IS USED FOR: _____

Rent / Lease or Own Date first used Home for childcare business _____

Purchase price plus major improvements, including land \$ _____ Value of land only \$ _____

SQUARE FOOTAGE: Regular Business Use _____ sq. ft.

Exclusive Business Use _____ sq. ft.

Total _____ sq. ft.

NOTE: PLEASE CALCULATE THE TOTAL AMOUNT FOR THE YEAR FOR EACH ITEM LISTED BELOW.
If the business use of your home was only for a partial year, base the amounts listed here on the total usage for the dates you used your home for business.
NO MONTHLY FIGURES

OWN ONLY: Homeowners Dues \$ _____ Homeowners Insurance \$ _____ PMI \$ _____
Other expense \$ _____ (Mortgage Interest & Real Estate Taxes are listed on main TDO page 6)

RENT ONLY: Rent / Lease Payments \$ _____ Renters Insurance \$ _____
Other expense \$ _____

BOTH OWNERS & RENTERS:

UTILITIES: Electric \$ _____ Gas \$ _____ Water \$ _____
Alarm \$ _____ Cable \$ _____ Sewer \$ _____ Other \$ _____

MAINTENANCE SERVICES: Cleaning \$ _____ Lawn \$ _____
Minor Repairs \$ _____ Pest Control \$ _____ Other \$ _____

MAJOR HOME IMPROVEMENTS OR RENOVATIONS

Only list items here that cost more than \$500. (Anything less than \$500 can be listed as a Minor Repair above.)

WORK DONE	DATE	COST	EXCLUSIVE BUSINESS USE?
			<input type="checkbox"/> Yes <input type="checkbox"/> No
			<input type="checkbox"/> Yes <input type="checkbox"/> No
			<input type="checkbox"/> Yes <input type="checkbox"/> No

If Business is closed, date stopped using home _____

SECTION B AUTO INFORMATION

TAX TIP: Auto mileage incurred by someone other than business owner should be reimbursed by the business and listed on pg 6 as ' auto expenses reimbursed to employees' in order to be deductible. Do not duplicate mileage that has been reimbursed on this page.

IMPORTANT - PROVIDE INFORMATION BELOW FOR VEHICLES USED FOR BUSINESS PURPOSES.

Is either vehicle listed below used for more than one business? If yes, make copies of this page and complete ONE PAGE PER BUSINESS. **DO NOT ROUND any amounts!**

NOTE: If you bought or sold a car you use in business, provide all sales contracts.

CLIENT NAME: Last Name _____ First Name _____

CHILDCARE BUSINESS NAME: _____

YES NO Do you understand that proper records and written mileage & usage logs must be maintained and provided to the IRS in the event of an audit?

	<u>AUTO #1</u>	<u>AUTO #2</u>
Year / Make / Model of vehicle	_____	_____
Date 1 st used for this business	_____	_____
Value on date 1 st used for business	_____	_____
MILEAGE: Total miles auto driven for year	_____	_____
Business miles	_____	_____
Commuting miles	_____	_____
Personal miles	_____	_____
EXPENSES: Parking & Tolls	_____	_____
For OWNED vehicles: Interest for year	_____	_____
For LEASED vehicles: Lease payments	_____	_____
If taking actual expenses please give the following:		
Gasoline	_____	_____
Repairs & Tires	_____	_____
Insurance	_____	_____
Tags	_____	_____
Is this vehicle used for any other business?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
Is another vehicle available for personal use?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
Was each of the above listed vehicles available for personal use during off hours?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
Do you have evidence to support your deduction?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
Is this evidence written?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
If no longer used for this business:		
Date stopped using this vehicle	_____	_____
Value on date stopped using vehicle	_____	_____

NOTE: Mileage logs or other documentation will be required if audited. Discuss any uncertainties with Profitpointe.

NOTE: Assets typically have a useful life of 1 year or more.

For example: Office furniture, computer, fax, reference library, and tools.

SECTION C PREVIOUSLY OWNED ASSET INFORMATION

List the following information for equipment / assets previously owned and converted to business use in this tax year only.

Item	Fair Market Value at Date of Conversion	Date placed into service	Business Use
1)			<input type="checkbox"/> 100% <input type="checkbox"/> Other _____%
2)			<input type="checkbox"/> 100% <input type="checkbox"/> Other _____%
3)			<input type="checkbox"/> 100% <input type="checkbox"/> Other _____%
4)			<input type="checkbox"/> 100% <input type="checkbox"/> Other _____%
5)			<input type="checkbox"/> 100% <input type="checkbox"/> Other _____%

SECTION D NEW ASSET INFORMATION

List the following information for all equipment / assets purchased for business use in this tax year with a useful life of more than one year that cost more than \$300. Items under \$300 should be taken as an expense on Page 6.

Item	Cost	Purchased	Date Purchased	Business Use
1)		<input type="checkbox"/> New <input type="checkbox"/> Used		<input type="checkbox"/> 100% <input type="checkbox"/> Other _____%
2)		<input type="checkbox"/> New <input type="checkbox"/> Used		<input type="checkbox"/> 100% <input type="checkbox"/> Other _____%
3)		<input type="checkbox"/> New <input type="checkbox"/> Used		<input type="checkbox"/> 100% <input type="checkbox"/> Other _____%
4)		<input type="checkbox"/> New <input type="checkbox"/> Used		<input type="checkbox"/> 100% <input type="checkbox"/> Other _____%
5)		<input type="checkbox"/> New <input type="checkbox"/> Used		<input type="checkbox"/> 100% <input type="checkbox"/> Other _____%

SECTION E INACTIVE ASSET INFORMATION

List all equipment / assets sold or taken out of service.

Item	Date Removed From Service	Sale Price or Current Market Value
1)		
2)		
3)		
4)		