



# Grow and protect your child care business

10 tax tips from the nation's leading expert on the business of family child care, Tom Copeland.



# Bring Success To Your Child Care Business

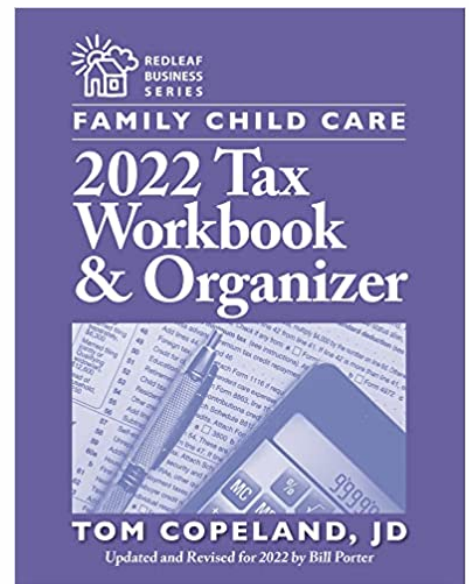
*With Tom Copeland's Family Child Care Books and Courses*

With closures and other challenges associated with COVID-19, preparing your taxes for 2022 may be more complicated than ever.

The Family Child Care 2022 Tax Workbook and Organizer contains information on:

- How to report stimulus checks
- How to report unemployment benefits
- How to treat SBA loan programs: Paycheck Protection Program and Economic Injury Disaster Loans
- What's deductible because of COVID-19

Tom Copeland has created comprehensive and extensive educational resources for family child care providers including 9 total books, family child care business curriculum books, and training videos.



## How to Purchase

You can read full book descriptions and purchase at [www.tomcopelandblog.com](http://www.tomcopelandblog.com).

***"With over 500,000 copies...in print, these books are the most authoritative and widely read books in the country."***

# 10

## tax tips

from Tom Copeland, the nation's leading expert on the business of family child care

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# 01

## Should You Be Saving Personal Records?



# Should You Be Saving Personal Records?

Yes, in some circumstances.

Let's say you are buying a container of laundry soap for \$8 as a 100% business expense and entering it into KidKare. The next time you buy laundry soap you don't save the receipt or enter it as an expense into KidKare.



This seems reasonable. You aren't trying to claim 100% of the cost of all of your laundry soap. You are only deducting every other purchase.

Many providers follow this procedure for similar items, such as toilet paper, paper towels, laundry detergent, paper cups, Kleenex, etc.

The problem with this is if you get audited, the IRS won't allow you to deduct the \$8 laundry soap unless you can prove you bought other laundry soap that you didn't deduct. You will also have to defend your position that you used 50% of your laundry soap in your business. This would probably entail you keeping records of how many business vs. personal loads of laundry you did in a typical week/month.

Therefore, you should be saving receipts that show you bought laundry soap that you didn't deduct. Without receipts, the IRS is likely to only allow you to deduct the time-space percentage of the \$8.



A simpler way is to just enter all laundry soap purchases into KidKare and apply your time-space percentage of the total cost.

The same issue applies to entering business miles into KidKare.

You cannot count every trip to a grocery store, Walmart, Target, or hardware store as primarily business. The IRS won't allow it. Some of these trips have to be for personal purposes.

Therefore, you should keep records showing that you made other trips to these common destinations that you didn't claim as business trips.

Your monthly bank statements, credit/debit card statements, or receipts will likely show all of the trips you made. You don't need to enter personal trips unless you want to.



## KidKare Accounting Tip

Tracking expenses is an important part of any business. Record business expenses in KidKare to help you with your tax deductions each year and keep your data safe and secure for years.

Some examples of expenses you could enter include, but are not limited to:

**Activity Expenses**  
**Advertising**  
**Apartment/Home Rent**  
**Appliances**

**Cleaning Supplies**  
**Business Software**  
**Office Equipment**  
**Food**

**Furniture**  
**Home Repairs and Maintenance**  
**Toys**

# 02

## All About Estimated Taxes

# All About Estimated Taxes

IRS rules say you must pay at least 90% of the taxes (federal income tax and Social Security/Medicare tax) you owe each quarter of the year. Most family child care providers avoid filing estimated taxes because their spouse has enough taxes withheld to cover them.

If you are single or your spouse does not withhold enough to cover you, file IRS Form 1040ES Estimated Tax for Individual. If you got a tax refund in 2021 and your family's finances are approximately the same in 2022, you will probably not need to file Form 1040ES.

To estimate how much tax you will owe, you will need to know your income and expenses. Print out the Schedule C Worksheet report in KidKare for the previous quarter. The amount of profit (or loss) at the bottom line of this report is an estimate of your profit (or loss) for these three months. This report does not include food or car expenses, so subtract these expenses from the profit. Multiply this modified profit by 20% to estimate your federal taxes and put this amount on Form 1040ES. This is a rough estimate.

You may also need to file state estimated taxes. Check with your state department of revenue to get the proper form.



# 03

## Protecting Your Business Name

# Protecting Your Business Name

Many providers operate under a business name ("Christine's Child Care," "Tender Care for Kids,") and use it on parent contracts, checks, and advertising. A business name is a sign of professionalism and helps create an identity for your program. However, if another child care provider begins using the same business name, your program could suffer in the resulting confusion. To prevent this from happening, you can register your business name - usually with the secretary of state's office in your state.

In many states, if you use a business name you are required to register it. (If you are incorporate it is very likely that this is a requirement.) Usually there is no need to register your business name if you are using your full name ("Cassandra Bowie's Child Care"), but registration is typically required if you use only part of your name ("Cassandra's Child Care").

Check with your state office. If you live near the border of two states, you may want to register your business name in both states. Many states also require that you post your newly registered business name in a local newspaper.



Your secretary of state's office will often have the form you need to register your business on its website. The form may be called a "Fictitious Business Name Statement" (California) or a "Certificate of Assumed Name" (Minnesota), or some other name. You can also change your business name later. Failure to register your name when you are required to do so could result in fines. Check with your secretary of state's office for details.

Before registering your business name, your state will check to see that no one else is using the name you have chosen. Once your registration is complete, no other child care business can use this name, and if they do, you can take action against them. If you don't register your business name, another child care program can come along, register the same name, and force you to stop using your name. This could create great confusion for your current and potential clients.

Even if registering your business name with your state is not a legal requirement, we recommend doing so to help you set a professional tone with parents. The one-time fee to register your business name is usually less than \$50 and is 100% tax-deductible. Registering your business name has no impact on how you file your federal or state taxes.

## KidKare Accounting Tip

With KidKare, you can easily add and edit your company's business information, such as your business name, tax ID, and certain contact information in your profile.

Once added, you can send professional-looking invoices that include your business name and address to your clients.

# 04

## Legal & Insurance: A Q&A Session

# Legal & Insurance: A Q&A Session

**The parent wants me to allow her child to walk home alone. I'm nervous about this. What should I do?**

First, check with your licensor to see that you would not be in violation of any state child protection laws.

Next, get both parents to sign a permission form that clearly spells out the circumstances of when and how the child will leave your program for her home.

Third, you should always have business liability insurance to protect you in case the parent does decide to sue. Even after signing a permission form, a parent can always sue you. If you have insurance the insurance company will pay for lawyer's fees to defend you in any lawsuit.

Finally, even if you have taken care of everything we have mentioned, if you still feel uncomfortable about allowing the child to walk home alone, don't do it. Tell the parent you will not agree.

**Don't lose sleep over a decision such as this.**

## Legal & Insurance: A Q&A Session

**A child was injured in my program, and the parent is asking me to pay \$500 so she won't have to file a claim with her health insurance policy (and risk paying higher premiums in the future). I do have business liability insurance, but I'd rather not file a claim with my policy because of my rates going up. What should I do?**

Don't pay the parent. Contact your business liability insurance agent right away whenever a child is injured in your program. If you pay the parent, it could be used against you if the child suffers complications from the injury later.

Your insurance agent can help you handle any parent claim (that's their job!). Your insurance rates are unlikely to go up because of one claim.



# 05

**Which of the  
Following  
Activities Is  
Illegal?**

# Which of the Following Activities Is Illegal?

- A)** A provider sitting next to you at a training workshop asks you what your rates are.
- B)** You call up another provider in your neighborhood who knows you and ask if she is going to raise her rates next fall.
- C)** You walk into a child care center, introduce yourself as a family child care provider, and ask what the center charges to care for a preschooler.

**Answer. They are all illegal!**

It is illegal for child care competitors to discuss rates! Many providers don't realize this, but you should not share any information about your rates (current rates, future rates, etc.) with someone who might be your competitor.

If one person doesn't know that the other person is a competitor, then it's not illegal to discuss rates. So, if you went to a child care center and didn't identify yourself as a child care provider, the center would assume that you were a parent. Collecting information in this fashion is not illegal.



You can contact your local Child Care Resource and Referral Agency and obtain average rate information from them because they are not a competitor, and the information they have is available to the public.

Associations who operate their own referral service for parents can give parents who call the service rate information, but they cannot share this information with other providers in the association.

***Under what circumstances can associations share rate information that they are collecting with their members?***

**Each of these two conditions must be met:**

- 1)** An individual or organization other than the association must collect the rate information and make it readily available to the public – not just to the association.
- 2)** The information must be communicated in such a way as to not allow anyone to identify the rates of any one provider.



# 06

## Home Depreciation

# Home Depreciation

You are always better off financially if you depreciate your home on IRS Form 8829 Expenses for Business Use of Your Home. This represents a substantial deduction that will help reduce your taxes.

Any depreciation that you claim will be subject to taxes when you sell your home. However, if you don't depreciate your home you will still have to pay taxes on any depreciation you claimed or were entitled to claim!

So, not taking depreciation now will not help you later. If you haven't claimed house depreciation in previous years, you can use IRS Form 3115 to recapture any previously unclaimed depreciation going back as many years as you used your home for your business.

Enter the purchase price of your home in the KidKare Accounting Expenses section under the Home expense category.



## KidKare Accounting Tip

KidKare Accounting has several accounting reports specifically for child care providers, including a Depreciation Worksheet.

This worksheet is for all of your Form 4562 depreciated expenses. Form 4562 is an IRS tax form used to claim deductions or amortization of a piece of property. This worksheet includes depreciation information for your Home, as entered under the Home category on the Expenses page. This worksheet also includes vehicles you have entered in Expenses.

# 07

## Holiday Gift Guide

# Holiday Gift Guide: Gifts to & from Your Families



## Gifts from parents

If a parent gives you a Christmas or holiday gift, it's not taxable income. If they give you a "bonus" for doing a great job, this is taxable income and you should record it as Other Income in KidKare. If you spend the bonus on something for your business, claim it as an expense.

## Gifts to parents and children

If you give a gift to a parent, you can deduct up to \$25 per parent per year as a business expense. If you give a gift to a child in your care that is only used by the child, you can deduct up to \$25 per child per year. However, if you give a present to a child who opens it while in your program and lets the other children play with it, it's considered an activity expense and is not subject to the \$25 limit.

# 08

## Claiming Business Miles

# Claiming Business Miles

When entering expenses, be sure to record miles for trips in your vehicle that was primarily for business purposes. Include trips transporting children, as well as trips made to the bank, library, and trainings.

If you purchased more than half of the items for your business at a store, count this as a business trip. Don't claim every trip to stores where you are buying business and personal items.

It's never allowed to claim 100% of your trips to grocery stores, even if you are always buying more business items than personal items



## KidKare Accounting Tip

Record mileage for trips made for business purposes on the Mileage page. You can also set up multiple vehicles and assign different trips to a certain car.

When you add mileage records, the only required information is the miles traveled. However, it is useful to add additional information, such as the vehicle used, the origin, your destination, and so on so you have a more complete record of miles traveled for business purposes.

Start a free trial at [www.kidkare.com](http://www.kidkare.com).

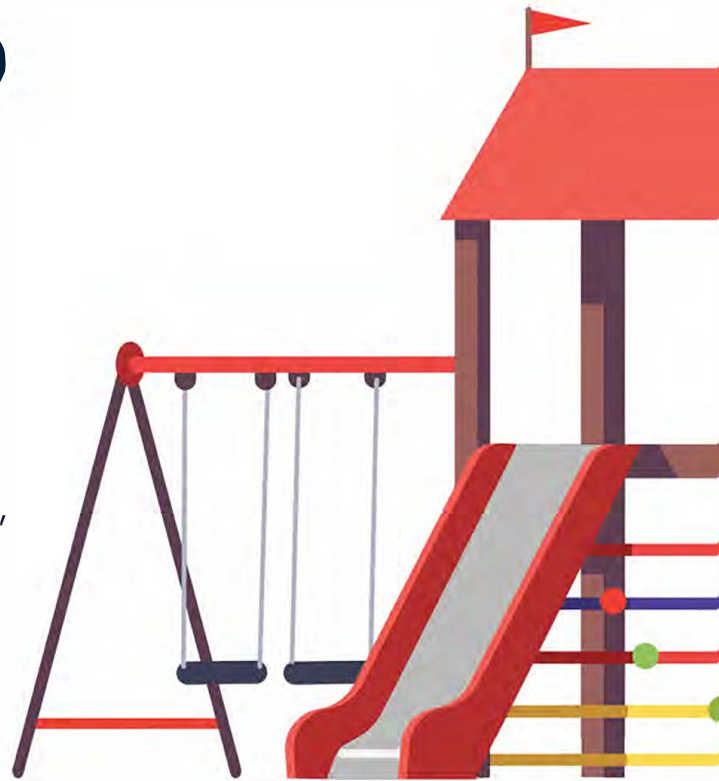
# 09

## How to Record Items Costing More Than \$2500

# How To Record Items Costing More Than \$2500

A recent IRS rule allows providers to deduct in one year any item they purchase that costs more than \$2500, with the exception of a home, home improvement, or home addition.

Such items could include furniture, appliances, playground equipment, fences, patios, or driveways.



## KidKare Accounting Tip

Enter these expenses into KidKare under one of the following expense categories:

Furniture/Appliances/Play Equipment more than \$2500  
Home Improvement more than \$2500  
Land Improvement more than \$2500  
Computer/Printer/Other/Office Equipment more than \$2500

These expenses will show up on the Depreciation Worksheet report. In past years, such items would have to be depreciated over a number of years. But, with the recent rule changes they can now be deducted in one year. The exception is that the home improvements and home improvements costing more than \$2500 must be depreciated over 39 years. There are two exceptions that allow you to deduct a home improvement in one year. See the article [here](#).

Before you file your tax return, look at your Depreciation Worksheet to see if some of the expenses shown there could instead be deducted in one year.

# 10

## KidKare Tax Reports

# KidKare Tax Reports

Here are the key KidKare Accounting reports you should print to complete your yearly taxes. Review the numbers on these reports before printing them to ensure that you entered all your expenses. After printing them, give a copy to your tax preparer or transfer the information onto your own tax return.

The Schedule C and Form 8829 Detailed Expenses reports were designed to mirror the actual IRS tax forms, making it easy to fill out your tax forms.

## **Schedule C Detailed Expenses**

This report lists your business expenses in the order they appear on the Schedule C Profit or Loss From Business tax form.

## **Form 8829 Detailed Expenses**

This report lists your house expenses in the order they appear on Form 8829 Expenses for Business Use of Your Home tax form.

## **Depreciation Worksheet**

This report tells you what items you purchased in a given year that should be depreciated, using IRS Form 4562 Depreciation and Amortization. It is also used to see what items you bought before the current year that you should continue to depreciate.



# KidKare Tax Reports

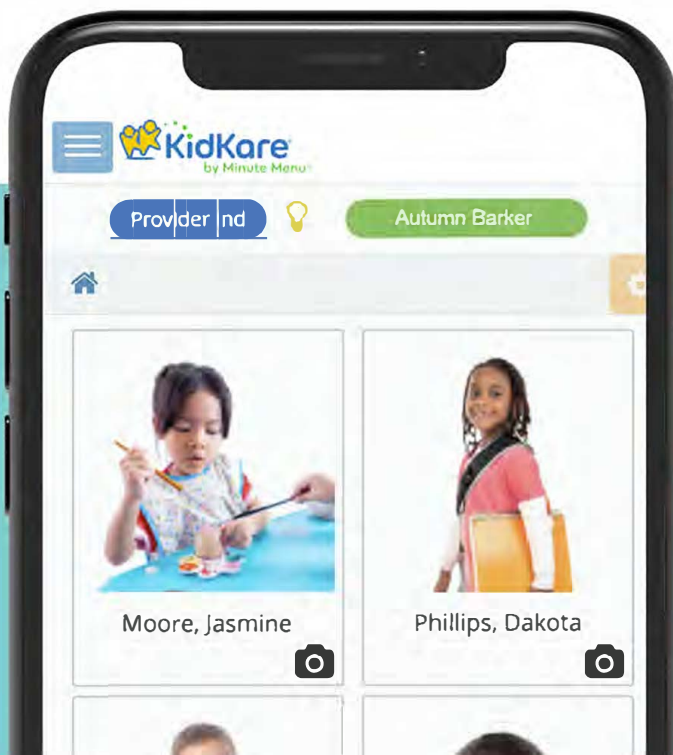
Additional tax reports:

## Standard Meal Allowance

This report lists the number of meals and snacks you served in the year, multiplied by the standard meal allowance rate for that year. The total at the bottom of the report is your business deduction. If you use the actual expenses method for determining your food expenses, print the Actual Food Expenses report.

## Vehicle Mileage

This report lists the number of business miles you drove multiplied by the standard mileage rate for that year. If you use this method you can also deduct parking expenses, tolls, and the business portion of vehicle loan interest and personal property tax. If you kept receipts for other expenses associated with your vehicle (gas, oil, repairs, insurance, etc.) and you want to compare the actual expenses method with the standard mileage method, print the report Vehicle Deduction Comparison.



## Get Started Today!

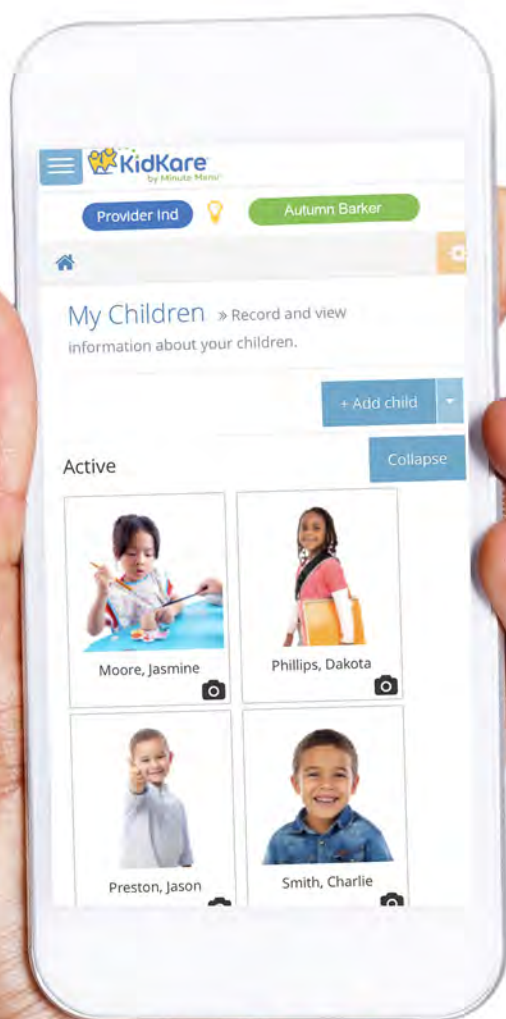
Try out the KidKare reports for yourself absolutely free for 30 days.

Start today at  
[www.kidkare.com](http://www.kidkare.com).



# Struggling with finances? We can help.

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Track all of your expenses in one place.  
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finances and prepare your taxes.

## **No more chasing payments**

Set up automatic transfers from  
families' bank accounts to yours  
using our Stripe Billing system. Never  
worry about accepting late cash or  
check payments again!

## **Access Anytime, Anywhere**

Access KidKare from any device with  
an internet connection.

*KidKare Accounting is so much easier than  
using Quickbooks everyday. It has completely  
changed how I run my childcare business. I  
don't know what I would do without it!*

*-Karen, Childcare Provider*



***Click here to get started!***

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