

# key expenses

## Tax Deductions for: Day Care Providers

### AUTO TRAVEL:

Your auto expenses are based on the number of qualified business miles you drive. Auto expenses for you as a day care provider could include your transportation:

- to and from a class taken to enhance your day care skills;
- on field trips with those for whom you are providing care;
- for errands related to day care business (e.g. going to the bank to make a deposit of day care receipts);
- to the store to shop for day care supplies; or
- when chauffeuring day care attendees.

### CAPITAL PURCHASES:

Certain purchases for day care use may be so-called "capital items." These items must be deducted on your tax return using different rules than are used for supplies and expenses. Capital items are those that normally last more than one year and cost more than \$100 – typical examples would be cribs, playground equipment etc. Be sure to keep receipts for these items separate from receipts for general supplies.

### SUPPLIES AND EXPENSES:

Generally, to be deductible, items must be ordinary and necessary to the operation of your day care business. Record separately from other supplies the costs of business assets that are expected to last longer than one year and cost more than \$100. Normally, the costs of such assets are reported differently on your tax return than are other recurring,

everyday business expenses like small toys or books. Try to get separate store receipts for the items you use for day care. For example, if you buy food for the day care attendees, don't combine this purchase with the food purchases for personal use.

### BUSINESS USE OF HOME:

Normally, the expenses you incur (other than home mortgage interest, taxes or casualty losses) related to your personal home are not deductible. However, when you regularly use your home for licensed day care, a portion of the cost of your home upkeep can be deductible – the deductible amount depends on both the number of square feet you use for day care AND the amount of time you routinely use various rooms of your home in the day care business.

Your day care records don't need to detail the specific hours a room in your home is used for business. It's enough to show that you regularly use a room for day care. For instance, say your home has one bedroom that is regularly used for afternoon naps for day care recipients – about two hours each day. Your day care center is open from 7:00 a.m. to 6:00 p.m. Even though nap time uses only two of the 11 hours your center is open, the bedroom is considered used for business for the entire 11-hour business day.



Occupational  
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*The information provided in this brochure is an abbreviated summary of the rules for the job-related expenses applicable to educators.  
For additional details as to specific business expenses, the records required and the various governmental regulations,  
consult the firm providing this brochure.*

