

Family Child Care Home Provider Tax Tips



IRS Form 8829: Understanding Expense Deductions for the Business Use of Your Home 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 shared (partly used for business purposes and partly used for personal purposes), use <u>IRS Form 8829</u>. When an expense is related to your business only, use <u>IRS Form Schedule C</u> (see the one page explainer for Schedule C).

IRS Form 8829 in Brief. The IRS Form 8829 is related to the business use of your home. Expenses on this form are shared – partly business and partly personal (e.g., The rent or mortgage interest reflects a monthly payment. Because you also live in your home, these payments are not 100% business related. They are partly business and partly personal).

There is a "Time-Space" formula that calculates the business use of your home. The Time Percentage is the number of hours your home is used for business purposes divided by the total number of hours per year. The Space Percentage is the # of square feet of your home used regularly for business purposes divided by the total number of square feet in your home. Both

orm E	B829 Expenses for Business Use of Your Home If File only with Schedule C (Form 1040), Use a separate Form 8929 for each home you used for business during the year. Navana Service (9) Go to www.irs.cov/Fem2892 for instructions and the latest information.		2020 Attachment Sequence No. 176
dame(s)	of proprietor(s)	Your soo	ial security number
	244 S (4545) - 5245 - 1645 - 1645 - 1645 - 1645 S (4545)		
Part		-	
1	Area used regularly and exclusively for business, regularly for daycare, or for storage of invento	у .	
2	or product samples (see instructions) , , , , , , , , , , , , , , ,	2	
3	Total area of home	3	%
3	Divide line 1 by line 2. Enter the result as a percentage	. 3	76
4		hr.	
5	If you started or stopped using your home for daycare during the year,	-	
		hr.	
6	Divide line 4 by line 5. Enter the result as a decimal amount 6 .	100	
7	Business percentage. For daycare facilities not used exclusively for business, multiply line 6 to	y	
	line 3 (enter the result as a percentage). All others, enter the amount from line 3	7	%
Part	Figure Your Allowable Deduction		
8	Enter the amount from Schedule C. line 29, plus any gain derived from the business use of your hom	е,	
	minus any loss from the trade or business not derived from the business use of your home. See instructions		
	See instructions for columns (a) and (b) before completing lines 9-22. (a) Direct expenses (b) Indirect expense	- 300	
9	Casualty losses (see instructions) , . , . 9	617	
10	Deductible mortgage interest (see instructions) . 10	1000	
11	Real estate taxes (see instructions)	100	
12	Add lines 9, 10, and 11	130	
13	Multiply line 12, column (b), by line 7	-	
15	Add line 12, column (a), and line 13	14	
16	Excess mortgage interest (see instructions) , 16	. 15	
17	Excess real estate taxes (see instructions) 17	220	
18	Insurance	8310	
19	Rent	100	
20	Repairs and maintenance 20	9153	
21	Utilities	1500	
22	Other expenses (see instructions)	1123	
23	Add lines 16 through 22	200	
24	Multiply line 23, column (b), by line 7	000	
25	Carryover of prior year operating expenses (see instructions) 25	1800	
26	Add line 23, column (a), line 24, and line 25	. 26	
27	Allowable operating expenses. Enter the smaller of line 15 or line 26	. 27	
28	Limit on excess casualty losses and depreciation. Subtract line 27 from line 15	. 28	
29	Excess casualty losses (see instructions)	300	
30	Depreciation of your home from line 42 below	31	
700	Carryover of prior year excess casualty losses and depreciation (see instructions) 31	32	
32	Add lines 29 through 31	33	
34	Allowable excess casualty losses and depreciation. Enter the smaller of line 28 or line 32	. 33	
35	Add lines 14, 27, and 33		
36	Allowable expenses for business use of your home. Subtract line 35 from line 34. Enter he		
30	and on Schedule C, line 30. If your home was used for more than one business, see instructions.		
Part		100	
37	Enter the smaller of your home's adjusted basis or its fair market value. See instructions	. 37	
38	Value of land included on line 37	. 38	
39	Basis of building, Subtract line 38 from line 37	. 39	
40	Business basis of building. Multiply line 39 by line 7	. 40	
41	Depreciation percentage (see instructions)	41	%
42	Depreciation allowable (see instructions). Multiply line 40 by line 41. Enter here and on line 30 above	e 42	
	Carryover of Unallowed Expenses to 2021		
43	Operating expenses. Subtract line 27 from line 26. If less than zero, enter -0		
44	Excess casualty losses and depreciation, Subtract line 33 from line 32, If less than zero, enter -0-	. 44	

the time and the space percentages are multiplied together for an overall time-space percentage. The overall time-space percentage is then calculated against your shared expenses such as your rent. For a more detailed explanation of the Time-Space calculation, see our one page brief.

Common "Shared" Expenses Reported on IRS Form 8829

Home or Rental Insurance

Rent

Mortgage Interest

Utilities (gas, oil, electric, sewer, water, etc.)

Property Taxes

House Repairs

Furniture

Appliances

Swing set

Lawnmower

Expenses Need an "Adequate Record"

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

Tom Copeland: http://tomcopelandblog.com/checklist-for-form-8829-expenses-for-business-use-of-your-home