



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 [IRS Form Schedule C](#). You may also carry over “shared expenses” from [IRS Form 8829](#), 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 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.).

SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship)

OMB No. 1545-0074
2020 Attachment Sequence No. 09

Department of the Treasury Internal Revenue Service (50) **Go to www.irs.gov/ScheduleC for instructions and the latest information.**
Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.

Name of proprietor: _____ Social security number (SSN): _____

A Principal business or profession, including product or service (see instructions) _____ **B** Enter code from instructions _____

C Business name, if no separate business name, leave blank. _____ **D** Employer ID number (EIN) (see instructions) _____

E Business address (including suite or room no.) _____
City, town or post office, state, and ZIP code _____

F Accounting method: (1) Cash (2) Accrual (3) Other (specify) _____

G Did you "materially participate" in the operation of this business during 2020? If "No," see instructions for limit on losses. Yes No

H If you started or acquired this business during 2020, check here _____

I Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions. Yes No

J If "Yes," did you or will you file required Form(s) 1099? Yes No

Part I Income

1 Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked. 1

2 Returns and allowances. 2

3 Subtract line 2 from line 1. 3

4 Cost of goods sold (from line 42). 4

5 Gross profit. Subtract line 4 from line 3. 5

6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions). 6

7 Gross income. Add lines 5 and 6. 7

Part II Expenses. Enter expenses for business use of your home only on line 30.

8 Advertising. 8

9 Car and truck expenses (see instructions). 9

10 Commissions and fees. 10

11 Contract labor (see instructions). 11

12 Depreciation. 12

13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions). 13

14 Employee benefit programs (other than on line 16). 14

15 Insurance (other than health). 15

16 Interest (see instructions):

a Mortgage (paid to banks, etc.) 16a

b Other. 16b

17 Legal and professional services. 17

18 Office expense (see instructions). 18

19 Pension and profit-sharing plans. 19

20 Rent or lease (see instructions):

a Vehicles, machinery, and equipment. 20a

b Other business property. 20b

21 Repairs and maintenance. 21

22 Supplies (not included in Part III). 22

23 Taxes and licenses. 23

24 Travel and meals:

a Travel. 24a

b Deductible meals (see instructions). 24b

25 Utilities. 25

26 Wages (less employment credits). 26

27a Other expenses (from line 48). 27a

b Reserved for future use. 27b

28 Total expenses before expenses for business use of home. Add lines 8 through 27a. 28

29 Tentative profit or (loss). Subtract line 28 from line 7. 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. 31

* 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.

* 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 32a, 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 Form 1041, line 3.

* If you checked 32b, you must attach Form 6198. Your loss may be limited.

32a All investment is at risk.

32b Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P Schedule C (Form 1040) 2020

Common Deductions Reported on IRS Form Schedule C		Expenses Need an "Adequate Record"
Playroom expenses (toys, books, etc.)	Re-opening Expenses (COVID)	• Receipt
Child furniture, cubbies, organizers	Laptop, printer, paper	• Cancelled check
Bathroom towels, soap, toilet paper	Meals & snacks (special rules)	• Credit/debit card statement
Garage freezer	Mileage (special rules)	• Written record
Curriculum & art supplies	Parking, tolls, business % of auto loan	• Photograph