

# THE SIMPLY HONEST CHILDCARE TAX GUIDE

Mobile-Friendly Edition

## Understanding Childcare Taxes

Childcare providers have unique tax rules because your home is also your workplace.

Many everyday expenses become partially deductible.

### **Business vs. Personal**

- Business expenses → only for childcare
- Shared expenses → used for both home + daycare (Time-Space %)

### **Records to Keep**

- Receipts
- Bank statements
- Mileage logs
- Attendance records
- Food program reports
  
- Hours worked (very important)

### **How Long to Keep Records**

- IRS: 3 years
  
- Recommended: 7 years

## The Time-Space Percentage

Your Time-Space % determines how much of your shared household expenses you can deduct.

### **Formula**

- Time % = childcare hours ÷ total hours in the year
- Space % = childcare sq. ft. ÷ total home sq. ft.
  
- Time-Space % = Time % × Space %

## **What Counts as Childcare Time**

- Open hours
- Prep + cleaning
- Meal prep
- Training
- Parent communication
  
- Planning activities

## **Common Mistakes**

- Only counting open hours
- Forgetting cleaning/prep time
  
- Not measuring all spaces used

## **Top Deductible Expenses**

### **Home-Related (Time-Space %)**

- Rent/mortgage interest
- Property taxes
- Utilities
- Internet
- Home repairs
- Insurance
  
- Depreciation

### **Classroom & Learning**

- Toys
- Books
- Craft supplies
- Educational materials
- Furniture
  
- Storage

### **Food & Meals**

- CACFP rates or actual cost
- Meals + snacks
  
- Special diets

## **Cleaning & Household**

- Cleaning products
- Paper goods
- Laundry supplies
  
- Trash bags

## **Business Operations**

- Software
- Advertising
- Website
- Office supplies
- Phone bill
  
- Professional fees

## **Transportation & Mileage**

- Field trips
- Supply runs
- Bank deposits
- Training
  
- Medical visits

## **Safety & Outdoor**

- Play structures
- Safety gates
- First aid
- Outdoor toys
  
- Fencing repairs

## **What Receipts to Keep**

You don't need every paper receipt — but you do need proof.

### **Acceptable Proof**

- Paper/digital receipts
- Bank/credit card statements
- Invoices
  
- CACFP reports

## **Organizing Options**

- Monthly folders
- Binder
- Digital folder
  
- Bookkeeping app

## **Don't Throw Away**

- Big purchases
- Repairs
- Furniture
- Appliances
  
- Outdoor equipment

## **Depreciation (Simple)**

Depreciation spreads the cost of big items over several years.

## **Items You May Depreciate**

- Furniture
- Appliances
- Playground equipment
- Computers
- Flooring
  
- Home improvements

## **Common Provider Mistakes**

- Not tracking hours
- Forgetting mileage
- Not claiming shared expenses
- Throwing away receipts
- Not separating accounts
- Not claiming depreciation
  
- Not keeping attendance

## **Year-Round Recordkeeping**

### **Weekly**

- Track hours
- Save receipts
  
- Log mileage

## **Monthly**

- Reconcile bank statements
- Update income/expense sheet
  
- File receipts

## **Yearly**

- Review Time-Space %
- Update depreciation
  
- Prepare tax documents

## **Printable Deduction Checklist**

- Home expenses
- Classroom supplies
- Food
- Cleaning
- Business expenses
- Mileage
  
- Safety items

## **What to Bring to Your Tax Preparer**

- Income records
- Attendance sheets
- CACFP reports
- Mileage log
- Receipts
- Bank statements
- Hours worked
- Home square footage
- Rooms used for childcare
  
- Streaming services used for daycare

## **When to Hire a Professional**

You may need a tax pro if:

- You're overwhelmed
  - You're behind on bookkeeping
  - You're unsure about Time-Space
  - You bought big items
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- You want audit protection

## **About the Author**

Summer, owner of **Summer's Simply Honest Books**, provides bookkeeping and tax support for childcare providers and small businesses.

Honest guidance. Clear systems. Real-life understanding.

## **Closing**

You pour your heart into caring for children — and you deserve to keep more of what you earn.

You are doing important work. You are not alone. You've got this.