



# 2020 Tax Returns:

Tips for Family Child Care Home Providers  
(Handling Grants, COVID business expenses, & More)

Tom Copeland, JD

For Child Care Aware of New Jersey

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# Instructor

## Welcome!

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# Agenda

- Handling grants or other miscellaneous forms of income
- Understanding the IRS tax forms
  - 1099-NEC
  - Schedule C
  - Form 8829 for Expenses
- Making sure you count income & ALSO deduct expenses
- Q&A

# Tough Financial Times

- This is an extremely stressful time for child care programs, your family and the families in your care.
- Hopefully, this webinar can help you in organizing (or preparing for) your 2020 tax returns.
- Chances are – preparing your tax return for 2020 might be a little more complicated than in the past.
- That's why Child Care Aware of New Jersey reached out to me to ask if I could go over some tips with you -- so that you are prepared when the time comes to fill out the forms.

# Grants

## Good News! You Got a Grant!

(or maybe more than 1 grant!)

- Congratulations on receiving a grant!
- Your grant helps you improve the quality of your business
- It also helps you financially

# How Do You Handle Your Grant?

- Whether you received one cash grant, multiple cash grants, or reimbursements for items you purchased, there are two steps you must take
  - ✓ **Step One:** Report the grants as taxable income on your tax return
  - ✓ **Step Two:** Deduct as a business expense the items you purchased or received
- This webinar will tell you how to accomplish both steps

# IRS Form 1099-NEC

Sample Form

7171		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED	
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0116	
		2020 Form 1099-NEC	
1 Nonemployee compensation		Copy A For Internal Revenue Service Center  File with Form 1096.  For Privacy Act and Paperwork Reduction Act Notice, see the 2020 General Instructions for Certain Information Returns.	
\$ 2,100			
PAYER'S TIN	RECIPIENT'S TIN	2	
RECIPIENT'S name		3	
Street address (including apt. no.)		4 Federal income tax withheld	
City or town, state or province, country, and ZIP or foreign postal code		\$	
FATCA filing requirement			
<input type="checkbox"/>			
Account number (see instructions)	2nd TIN not.	5 State tax withheld	6 State/Payer's state no.
	<input type="checkbox"/>	\$	\$
		\$	\$
Form 1099-NEC		Cat. No. 72590N	
Do Not Cut or Separate Forms on This Page		www.irs.gov/Form1099NEC Department of the Treasury - Internal Revenue Service	
		Do Not Cut or Separate Forms on This Page	

# IRS Form 1099-NEC

- If you received more than \$600, your grantor may send you IRS Form 1099-NEC (Nonemployee Compensation)
- If so, there should be an amount listed on line 1 (Nonemployee compensation)
- This amount may represent:
  - One or more grants you received in 2020
  - An extra supplement for children on the child care subsidy program
  - Reimbursements for items you purchased

# Form 1099-NEC & Schedule C

## Sample Form

**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 (IRS) 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 employer" box on that form was checked: <input type="checkbox"/>	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). Add lines 5 and 6	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 19)	14
15	Insurance (other than health)	15
16	Interest (see instructions):	16
16a	Mortgage (paid to banks, etc.)	16a
16b	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):	20
20a	Vehicles, machinery, and equipment	20a
20b	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:	24
24a	Travel	24a
24b	Deductible meals (see instructions)	24b
25	Utilities	25
26	Wages (less employment credits)	26
27a	Other expenses (from line 48)	27a
27b	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

32a  All investment is at risk.  
32b  Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11534P Schedule C (Form 1040) 2020

# Form 1099-NEC and Schedule C

- The amount reported on Form 1099-NEC is taxable income that must be reported on IRS Schedule C (Profit or Loss From Business)
- **Let's look at an example:**
- The amount on Form 1099-NEC, line 1 represents:
  - \$1,000 for utilities paid by a grant
  - \$600 in extra payments for a child on subsidy
  - Reimbursements of \$200 for cleaning supplies and \$300 for classroom equipment
  - Total: \$2,100
- Report \$2,100 on Schedule C, line 6

**Note:** Don't worry. I'm going to show you a larger version on the next slide.



# Form 1099-NEC and Schedule C

## Sample 1099-NEC Form

7171 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0116	
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		2020 Form 1099-NEC Nonemployee Compensation	
PAYER'S TIN		1 Nonemployee compensation \$ 2,100	
RECIPIENT'S TIN		2	
RECIPIENT'S name		3	
Street address (including apt. no.)		4 Federal income tax withheld \$	
City or town, state or province, country, and ZIP or foreign postal code		5 State tax withheld	
FATCA filing requirement <input type="checkbox"/>		6 State/Payer's state no.	
Account number (see instructions)		7 State income \$	
2nd TIN not. <input type="checkbox"/>			

Copy A  
For  
Internal Revenue  
Service Center  
File with Form 1096.  
For Privacy Act and Paperwork Reduction Act Notice, see the 2020 General Instructions for Certain Information Returns.

Form 1099-NEC Cat. No. 72590N www.irs.gov/Form1099NEC Department of the Treasury - Internal Revenue Service  
Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

## Sample Schedule C/Top Half

SCHEDULE C (Form 1040)		Profit or Loss From Business (Sole Proprietorship)		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service (IRS)		Go to <a href="http://www.irs.gov/ScheduleC">www.irs.gov/ScheduleC</a> for instructions and the latest information. Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.		2020 Attachment Sequence No. 09	
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 instr.)			
E Business address (including suite or room no.)		City, town or post office, state, and ZIP code			
F Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify)		G Did you "materially participate" in the operation of this business during 2020? If "No," see instructions for limit on losses		<input type="checkbox"/> Yes <input type="checkbox"/> 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		<input type="checkbox"/> Yes <input type="checkbox"/> No	
J If "Yes," did you or will you file required Form(s) 1099?				<input type="checkbox"/> Yes <input type="checkbox"/> No	
<b>Part I Income</b>					
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		2,100	
<b>Part II Expenses. Enter expenses for business use of your home only on line 30.</b>					
8 Advertising		8			
9 Car and truck expenses (see instructions)		9			
10 Commissions and fees		10			
11 Contract labor (see instructions)		11			
12 Depletion		12			
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions)		13			
14 Employee benefit programs (other than on line 19)		14			
15 Insurance (other than health)		15			
16 Interest (see instructions):		16			
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):		20			
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:		24			
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			

# No 1099-NEC Received?

## What if You Didn't Receive a Form 1099-NEC?

\* If you didn't receive a Form 1099-NEC, you must still report the amount you received from one or more grants as income

- This includes the items you purchased and were reimbursed for

**Note:** It's possible that you received IRS Form 1099-MISC, instead of Form 1099-NEC.

- If so, report the income from line 3 on Form 1099-MISC onto Schedule C, line 6.

Form 1099-MISC (Copy B) for 2021. The form is titled 'Miscellaneous Information' and 'Copy B For Recipient'. It includes fields for Payer and Recipient information, and various income and withholding categories. Line 3, 'Other income', is highlighted with a red arrow pointing to it from the text 'Note: It's possible that you received IRS Form 1099-MISC, instead of Form 1099-NEC.' The value for line 3 is \$2,100. Line 4, 'Federal income tax withheld', is \$0. The form also includes a 'CORRECTED (if checked)' checkbox and a 'FATCA filing requirement' checkbox.

CORRECTED (if checked)		2021		Miscellaneous Information	
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents	\$	OMB No. 1545-0115	
PAYER'S TIN		2 Royalties	\$	Form 1099-MISC	
RECIPIENT'S TIN		3 Other income	\$ 2,100	4 Federal income tax withheld	
RECIPIENT'S name		5 Fishing boat proceeds	\$	\$	
Street address (including apt. no.)		6 Medical and health care payments	\$	7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale	
City or town, state or province, country, and ZIP or foreign postal code		8 Substitute payments in lieu of dividends or interest	\$	9 Crop insurance proceeds	
Account number (see instructions)		10 Gross proceeds paid to an attorney	\$	11 Fish purchased for resale	
FATCA filing requirement	<input type="checkbox"/>	12 Section 409A deferrals	\$	13 Excess golden parachute payments	
		14 Nonqualified deferred compensation	\$	15 State tax withheld	
		16 State/Payer's state no.	\$	\$	
		17 State income	\$	\$	

# Grant Expenses

## Sample Form

# Reporting Grant Expenses on Your Tax Return

**Form 8829** Expenses for Business Use of Your Home  
OMB No. 1545-0074  
2020 Attachment Sequence No. 176

Department of the Treasury Internal Revenue Service (IRS)  
Go to [www.irs.gov/Form8829](http://www.irs.gov/Form8829) for instructions and the latest information.

Name(s) of proprietor(s) \_\_\_\_\_ Your social security number \_\_\_\_\_

**Part I Part of Your Home Used for Business**

1	Area used regularly and exclusively for business, regularly for daycare, or for storage of inventory or product samples (see instructions)	1	
2	Total area of home	2	
3	Divide line 1 by line 2. Enter the result as a percentage	3	%
4	Multiply days used for daycare during year by hours used per day	4	hr.
5	If you started or stopped using your home for daycare during the year, see instructions; otherwise, enter 8,784	5	hr.
6	Divide line 4 by line 5. Enter the result as a decimal amount	6	
7	Business percentage. For daycare facilities not used exclusively for business, multiply line 6 by line 3 (enter the result as a percentage). All others, enter the amount from line 3	7	%

**Part II Figure Your Allowable Deduction**

8	Enter the amount from Schedule C, line 29, plus any gain derived from the business use of your home, 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 9-25.	8	
9	Casualty losses (see instructions)	9	
10	Deductible mortgage interest (see instructions)	10	
11	Real estate taxes (see instructions)	11	
12	Add lines 9, 10, and 11	12	
13	Multiply line 12, column (b), by line 7	13	
14	Add line 12, column (a), and line 13	14	
15	Subtract line 14 from line 8. If zero or less, enter -0-	15	
16	Excess mortgage interest (see instructions)	16	
17	Excess real estate taxes (see instructions)	17	
18	Insurance	18	
19	Rent	19	
20	Repairs and maintenance	20	\$4,000
21	Utilities	21	
22	Other expenses (see instructions)	22	
23	Add lines 16 through 22	23	
24	Multiply line 23, column (b), by line 7	24	
25	Carryover of prior year operating expenses (see instructions)	25	
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)	29	
30	Depreciation of your home from line 42 below	30	
31	Carryover of prior year excess casualty losses and depreciation (see instructions)	31	
32	Add lines 29 through 31	32	
33	Allowable excess casualty losses and depreciation. Enter the smaller of line 28 or line 32	33	
34	Add lines 14, 27, and 33	34	
35	Casualty loss portion, if any, from lines 14 and 33. Carry amount to Form 4684. See instructions	35	
36	Allowable expenses for business use of your home. Subtract line 35 from line 34. Enter here and on Schedule C, line 30. If your home was used for more than one business, see instructions.	36	

**Part III Depreciation of Your Home**

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	42	

**Part IV Carryover of Unallowed Expenses to 2021**

43	Operating expenses. Subtract line 27 from line 26. If less than zero, enter -0-	43	
44	Excess casualty losses and depreciation. Subtract line 33 from line 32. If less than zero, enter -0-	44	

For Paperwork Reduction Act Notice, see your tax return instructions. Cut. No. 13252M Form 8829 (2020)

- You can deduct grant expenses on either IRS Schedule C, or IRS Form 8829 Expenses for Business Use of Your Home
- Report any expenses for your home (utilities, home mortgage payments, rent) on IRS Form 8829
- Report all other expenses on Schedule C

## Form 8829 Expenses

# Form 8829 Expenses

- You are always entitled to claim house expenses on Form 8829, whether or not you received a grant
- Do not enter any grant payments you received for house expenses on this form because they do not represent additional expenses
- Example: If you spent \$4,000 on utilities and received \$1,000 in grant money to help offset your utility expenses, you would enter \$4,000 as a utility expense on line 21(b)
- Note: If you received grant money for mortgage payments, these expenses are included in mortgage loan interest on line 10(b) and house depreciation on line 42. Rent payments are on line 19(b)

# Top of Form

**Form 8829** Expenses for Business Use of Your Home

OMB No. 1545-0074  
**2020**  
Attachment Sequence No. 176

Department of the Treasury  
Internal Revenue Service (IRS)

File only with Schedule C (Form 1040). Use a separate Form 8829 for each home you used for business during the year.  
Go to [www.irs.gov/Form8829](http://www.irs.gov/Form8829) for instructions and the latest information.

Name(s) of proprietor(s) \_\_\_\_\_ Your social security number \_\_\_\_\_

**Part I Part of Your Home Used for Business**

1	Area used regularly and exclusively for business, regularly for daycare, or for storage of inventory or product samples (see instructions)	1
2	Total area of home	2
3	Divide line 1 by line 2. Enter the result as a percentage	3 %
For daycare facilities not used exclusively for business, go to line 4. All others, go to line 7.		
4	Multiply days used for daycare during year by hours used per day	4 hr.
5	If you started or stopped using your home for daycare during the year, see instructions; otherwise, enter 8,784	5 hr.
6	Divide line 4 by line 5. Enter the result as a decimal amount	6
7	Business percentage. For daycare facilities not used exclusively for business, multiply line 6 by line 3 (enter the result as a percentage). All others, enter the amount from line 3	7 %

**Part II Figure Your Allowable Deduction**

	(a) Direct expenses	(b) Indirect expenses	
8	Enter the amount from Schedule C, line 29, plus any gain derived from the business use of your home, 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.		8
9	Casualty losses (see instructions)		9
10	Deductible mortgage interest (see instructions)		10
11	Real estate taxes (see instructions)		11
12	Add lines 9, 10, and 11		12
13	Multiply line 12, column (b), by line 7		13
14	Add line 12, column (a), and line 13		14
15	Subtract line 14 from line 8. If zero or less, enter -0-		15
16	Excess mortgage interest (see instructions)		16
17	Excess real estate taxes (see instructions)		17
18	Insurance		18
19	Rent		19
20	Repairs and maintenance		20
21	Utilities		21
22	Other expenses (see instructions)		22
23	Add lines 16 through 22		23
24	Multiply line 23, column (b), by line 7		24
25	Carryover of prior year operating expenses (see instructions)		25
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)		29
30	Depreciation of your home from line 42 below		30
31	Carryover of prior year excess casualty losses and depreciation (see instructions)		31
32	Add lines 29 through 31		32
33	Allowable excess casualty losses and depreciation. Enter the smaller of line 28 or line 32		33
34	Add lines 14, 27, and 33		34
35	Casualty loss portion, if any, from lines 14 and 33. Carry amount to Form 4684. See instructions		35
36	Allowable expenses for business use of your home. Subtract line 35 from line 34. Enter here and on Schedule C, line 30. If your home was used for more than one business, see instructions.		36

Line 21(b) for utilities

Line 10(b) for mortgage loan interest

Line 19(b) rent payments

Line 42 house depreciation

Bottom of Form

**Part III Depreciation of Your Home**

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	42

**Part IV Carryover of Unallowed Expenses to 2021**

43	Operating expenses. Subtract line 27 from line 26. If less than zero, enter -0-	43
44	Excess casualty losses and depreciation. Subtract line 33 from line 32. If less than zero, enter -0-	44

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 13232M Form 8829 (2020)

# Schedule C Expenses

## Sample Form

# Schedule C Expenses

- Report all other grant expenses on Schedule C
- \$200 Cleaning supplies – enter on line 22 (Supplies)
- \$300 Classroom equipment – enter on line 27a (Other expenses)
- Ultimately, it doesn't matter which line you put your Schedule C expenses on
- Child subsidy supplement payments are not included on Schedule C under expenses because they don't represent a business expense (they are income)

**SCHEDULE C (Form 1040) Profit or Loss From Business**  
OMB No. 1545-0074  
2020 Attachment Sequence No. 09

Department of the Treasury Internal Revenue Service (IRS) Go to [www.irs.gov/ScheduleC](http://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:  Cash  Accrual  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.  Yes  No

**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. <input type="checkbox"/>	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	18	Office expense (see instructions)	18
9	Car and truck expenses (see instructions)	9	19	Pension and profit-sharing plans	19
10	Commissions and fees	10	20	Rent or lease (see instructions)	20
11	Contract labor (see instructions)	11	21	Vehicles, machinery, and equipment	21
12	Depletion	12	22	Other business property	22
13	Depreciation and section 179 expense deduction (not included in Part II) (see instructions)	13	23	Repairs and maintenance	23
14	Employee benefit programs (other than on line 19)	14	24	Supplies (not included in Part II)	24
15	Insurance (other than health)	15	25	Taxes and licenses	25
16	Interest (see instructions):	16	26	Travel and meals:	26
16a	Mortgage (paid to banks, etc.)	16a	26a	Travel	26a
16b	Other	16b	26b	Deductible meals (see instructions)	26b
17	Legal and professional services	17	26c	Utilities	26c
18	Legal and professional services	18	26d	Wages (less employment credits)	26d
19	Legal and professional services	19	26e	Other expenses (from line 48)	26e
20	Legal and professional services	20	26f	Reserved for future use	26f
21	Legal and professional services	21	26g	Reserved for future use	26g
22	Legal and professional services	22	26h	Reserved for future use	26h
23	Legal and professional services	23	26i	Reserved for future use	26i
24	Legal and professional services	24	26j	Reserved for future use	26j
25	Legal and professional services	25	26k	Reserved for future use	26k
26	Legal and professional services	26	26l	Reserved for future use	26l
27	Legal and professional services	27	26m	Reserved for future use	26m
28	Legal and professional services	28	26n	Reserved for future use	26n
29	Legal and professional services	29	26o	Reserved for future use	26o
30	Legal and professional services	30	26p	Reserved for future use	26p
31	Legal and professional services	31	26q	Reserved for future use	26q

**31 Net profit or (loss).** Subtract line 30 from line 7.

**32** If you have a loss, check the box that describes your investment in this activity. See instructions.

All investment is at risk.  
 Some investment is not at risk.

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

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 (IRS)

Go to [www.irs.gov/ScheduleC](http://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 instr.)  
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	18	Office expense (see instructions)	18
9	Car and truck expenses (see instructions)	9	19	Pension and profit-sharing plans	19
10	Commissions and fees	10	20	Rent or lease (see instructions):	
11	Contract labor (see instructions)	11	a	Vehicles, machinery, and equipment	20a
12	Depletion	12	b	Other business property	20b
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	21	Repairs and maintenance	21
14	Employee benefit programs (other than on line 19)	14	22	Supplies (not included in Part III)	22
15	Insurance (other than health)	15	23	Taxes and licenses	23
16	Interest (see instructions):		24	Travel and meals:	
a	Mortgage (paid to banks, etc.)	16a	a	Travel	24a
b	Other	16b	b	Deductible meals (see instructions)	24b
17	Legal and professional services	17	25	Utilities	25
26	Total expenses before expenses for business use of home. Add lines 8 through 27a	26	26	Wages (less employment credits)	26
27a	Other expenses (from line 48)	27a	27a	Other expenses (from line 48)	27a
27b	Reserved for future use	27b	27b	Reserved for future use	27b
28	Tentative profit or (loss). Subtract line 28 from line 7	28	28		28
29	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions.	29	29		29
30	Net profit or (loss). Subtract line 30 from line 29.	30	30		30
31	Net profit or (loss). Subtract line 30 from line 29.	31	31		31
32	If you have a loss, check the box that describes your investment in this activity. See instructions.	32	32		32

# Schedule C Expenses

Line 22 for supplies (such as cleaning supplies)

Line 27a other expenses (such as for classroom equipment)

# Tax Consequences

## The Tax Consequences of a Grant

- In many cases, receiving a grant will have **no** tax impact on you
- If you received a \$200 grant for cleaning supplies and deducted \$200 as an expense: \$200 income - \$200 expense = zero taxes
- If you received a \$600 supplemental payment for a child: \$600 income – zero expense = \$600 taxable income



## Tax Payments

# How Much in Taxes Might You Owe?

- How much tax will you owe on \$600?
  - 15.3% Social Security tax
  - 10%-22% federal income tax
  - 1.4% - 6.37% New Jersey state income tax
- Total: 26.7% - 43.67% or \$160.20 to \$262.02
- In this case your taxable income went up by \$600, but you have about \$338 – \$440 left over after paying these taxes
- **You will always have more money after receiving a grant!**

Grants boost  
income and  
also offer  
opportunities

# Grants Are a Good Deal!

- You are always better off financially getting a grant!
- Even if you received grant money for subsidy stipends or for utilities or other house expenses that don't generate additional deductions, you still come out ahead
- Don't worry if in some cases you have to pay more in taxes
- You'll always have more money after receiving a grant, even though you may pay extra taxes
- Be grateful for getting a grant!

# Tax Changes for 2020

- Vehicle Mileage Rate
- Standard Meal Allowance rates
- What is deductible in 2020?
- How to calculate your Time-Space Percentage
- Form 8829 and Schedule C

# Vehicle Expenses

- Claim car trips that are “primarily” for business purposes
- Keep “adequate” records of business trips
  - Receipts, mileage log, cancelled checks, debit/credit cards, written records, calendar notations, photographs
- Do not need to keep odometer readings
- Use mileage apps such as MileIQ

# Standard Mileage Rate

- Standard mileage rate
  - 2019 - \$.58 cents per business mile
  - 2020 - \$.57.5 cents per business mile
- Can also deduct parking, tolls, business portion of loan interest and vehicle property tax

# Food Program

- Join the Food Program!
  - You are always financially better off
- Reimbursements from the Food Program are taxable income
  - Exception: reimbursements for your own children

# Standard Meal Allowance

- Do not need to save food receipts!
- At end of year, add up all meals and snacks you served and multiply by annual standard meal allowance rate
- 2020 rate
  - \$1.33 breakfast; \$2.49 lunch/supper; \$0.74 snack
- 2021 rate
  - \$1.39 breakfast; \$2.61 lunch/supper; \$0.78 snack
- You can deduct up to one breakfast, one lunch, one supper and three snacks per day per child
- Non-reimbursed meals do not have to be nutritious

# Do You Love Record Keeping?

Maybe not, but ...

- Keeping good records means big rewards!
- The better your records, the lower your taxes
- For every \$10 of expenses you claim, you will save \$3-4 in taxes



## Is It Deductible?

- It is if it is “ordinary and necessary” for your business
- You are providing a home environment to help children learn
- Parents expect you to maintain your home as a home
- Anything that helps to clean, repair, or maintain your home as a home is “ordinary and necessary”

# Common Deductions

- Play Room - toys, rug, DVD player, furniture, books, etc.
- Outdoors - lawn mower, rake, fence, new house siding, etc.
- Living Room - curtains, chair, lamp, ceiling fan, piano, etc.
- Bathroom - towels, soap, toilet paper, rug, bathroom scale, etc.
- Garage/basement - tools, freezer

# House Deductions

- Property tax
- Mortgage interest
- Rent
- Utilities
- House insurance
- House repairs
- House depreciation

# Adequate Record

- You can deduct an expense if you have an “adequate record”
  - Receipt
  - Cancelled check
  - Credit/debit card statement
  - Written record
  - Photograph

# COVID-19 Deductions

- Cleaning supplies – gloves, masks, disinfectants, thermometers, sanitizers, room dividers, etc.
- Deep cleaning/sanitation services
- Food deliveries, other delivery expenses
- Curriculum/activity expenses
- Getting ready to reopen expenses
  - Painting, construction, remodeling, etc.
- Keep receipts and deduct 100% of the cost of these expenses

# Other Expenses

- You can deduct the business portion of any item in one year, regardless of the cost
- This includes fence, furniture, appliances, swing set, patio
- Exception: house, home improvement, and home addition
  - Depreciate these expenses over 39 years
  - You can deduct a repair in one year

# Time-Space Percentage

- The Time-Space Percentage is the formula used to determine how much of your shared (business and personal) expenses you can deduct
- Shared expenses include: property tax, mortgage interest, rent, utilities, house insurance, house repairs, house depreciation, furniture, appliances, supplies, household items, and so on

# Time and Space

- Your Time-Space Percentage is based on two things:
- The number of hours you use your home for your business and
- The number of square feet you use in your home on a regular basis



## Track Your Hours

- If you have been or are closed, or have reduced the number of hours you care for children, this will lower your Time Percent
- This will reduce your business deductions and increase your taxes

# How to Offset Your Reduced Hours

- You want to track all the hours you are using your home for your business when children are not present
- This includes all the hours spent on activities related to COVID-19
  - Cleaning, distance learning, talking to parents/children on the phone, talking to licensors/unemployment offices, activity preparation, record keeping, Zoom meetings, time on the Internet/Facebook, reading books, taking CDA classes, listening to me now!, etc.

# Record Keeping

- Estimate and record all these hours from when COVID-19 hit until now
- Start recording these hours going forward – at least once a week
- This will help offset some of your lost hours
- Keep careful records of when the first child arrives and the last child leaves

# Calculating Your Time/Space Percentage

- Space% - Will not be affected by being closed for a few months
  - An exclusive use room is still exclusive use, unless you start using it for personal purposes
- Multiply your Time/Space % by 12 months of your house expenses
- For more: <http://tomcopelandblog.com/calculating-your-time-space-percentage-in-2020>

# IRS Form 8829

Form <b>8829</b>		<b>Expenses for Business Use of Your Home</b>		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service (99)		<input type="checkbox"/> File only with Schedule C (Form 1040). Use a separate Form 8829 for each home you used for business during the year. <input type="checkbox"/> Go to <a href="http://www.irs.gov/Form8829">www.irs.gov/Form8829</a> for instructions and the latest information.		<b>2020</b> Attachment Sequence No. <b>176</b>
Name(s) of proprietor(s)			Your social security number	
<b>Part I Part of Your Home Used for Business</b>				
1	Area used regularly and exclusively for business, regularly for daycare, or for storage of inventory or product samples (see instructions)			1
2	Total area of home			2
3	Divide line 1 by line 2. Enter the result as a percentage			3 %
For daycare facilities not used exclusively for business, go to line 4. All others, go to line 7.				
4	Multiply days used for daycare during year by hours used per day			4 hr.
5	If you started or stopped using your home for daycare during the year, see instructions; otherwise, enter 8,784			5 hr.
6	Divide line 4 by line 5. Enter the result as a decimal amount			6
7	Business percentage. For daycare facilities not used exclusively for business, multiply line 6 by line 3 (enter the result as a percentage). All others, enter the amount from line 3			7 %
<b>Part II Figure Your Allowable Deduction</b>				
8	Enter the amount from Schedule C, line 29, plus any gain derived from the business use of your home, minus any loss from the trade or business not derived from the business use of your home. See instructions.			8
See instructions for columns (a) and (b) before completing lines 9-22.				
		(a) Direct expenses	(b) Indirect expenses	
9	Casualty losses (see instructions)			9
10	Deductible mortgage interest (see instructions)			10
11	Real estate taxes (see instructions)			11
12	Add lines 9, 10, and 11			12
13	Multiply line 12, column (b), by line 7			13
14	Add line 12, column (a), and line 13			14
15	Subtract line 14 from line 8. If zero or less, enter -0-			15
16	Excess mortgage interest (see instructions)			16
17	Excess real estate taxes (see instructions)			17
18	Insurance			18
19	Rent			19
20	Repairs and maintenance			20
21	Utilities			21
22	Other expenses (see instructions)			22
23	Add lines 16 through 22			23
24	Multiply line 23, column (b), by line 7			24
25	Carryover of prior year operating expenses (see instructions)			25
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)			29
30	Depreciation of your home from line 42 below			30
31	Carryover of prior year excess casualty losses and depreciation (see instructions)			31
32	Add lines 29 through 31			32
33	Allowable excess casualty losses and depreciation. Enter the smaller of line 28 or line 32			33
34	Add lines 14, 27, and 33			34
35	Casualty loss portion, if any, from lines 14 and 33. Carry amount to Form 4684. See instructions			35
36	Allowable expenses for business use of your home. Subtract line 35 from line 34. Enter here and on Schedule C, line 30. If your home was used for more than one business, see instructions.			36
<b>Part III Depreciation of Your Home</b>				
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			42
<b>Part IV Carryover of Unallowed Expenses to 2021</b>				
43	Operating expenses. Subtract line 27 from line 28. If less than zero, enter -0-			43
44	Excess casualty losses and depreciation. Subtract line 33 from line 32. If less than zero, enter -0-			44
For Paperwork Reduction Act Notice, see your tax return instructions.				
			Cat. No. 13252M	Form 8829 (2020)

# IRS Schedule C

SCHEDULE C (Form 1040)		Profit or Loss From Business (Sole Proprietorship)		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service (95)		Go to <a href="http://www.irs.gov/ScheduleC">www.irs.gov/ScheduleC</a> for instructions and the latest information.		<b>2020</b> Attachment Sequence No. <b>09</b>
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 instr.)		
E Business address (including suite or room no.) City, town or post office, state, and ZIP code				
F Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) _____				
G Did you "materially participate" in the operation of this business during 2020? If "No," see instructions for limit on losses <input type="checkbox"/> Yes <input type="checkbox"/> No				
H If you started or acquired this business during 2020, check here <input type="checkbox"/>				
I Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions <input type="checkbox"/> Yes <input type="checkbox"/> No				
J If "Yes," did you or will you file required Form(s) 1099? <input type="checkbox"/> Yes <input type="checkbox"/> No				
<b>Part I Income</b>				
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 <input type="checkbox"/>			1
2	Returns and allowances			2
3	Subtract line 2 from line 1			3
4	Cost of goods sold (from line 42)			4
5	<b>Gross profit.</b> 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	<b>Gross income.</b> Add lines 5 and 6			7
<b>Part II Expenses.</b> Enter expenses for business use of your home only on line 30.				
8	Advertising	8		18
9	Car and truck expenses (see instructions)	9		19
10	Commissions and fees	10		20
11	Contract labor (see instructions)	11		20a
12	Depletion	12		20b
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13		21
14	Employee benefit programs (other than on line 19)	14		22
15	Insurance (other than health)	15		23
16	Interest (see instructions):			24
	a Mortgage (paid to banks, etc.)	16a		24a
	b Other	16b		24b
17	Legal and professional services	17		25
18	Office expense (see instructions)	18		26
19	Pension and profit-sharing plans	19		27a
20	Rent or lease (see instructions):			27b
	a Vehicles, machinery, and equipment	20a		28
	b Other business property	20b		29
21	Repairs and maintenance	21		30
22	Supplies (not included in Part III)	22		31
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		
27b	Reserved for future use	27b		
28	<b>Total expenses</b> 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. <b>Simplified method filers only:</b> 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	<b>Net profit or (loss).</b> Subtract line 30 from line 29. • If a profit, enter on both <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see Instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If a loss, you <b>must</b> go to line 32.	31		
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 <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If you checked 32b, you <b>must</b> attach <b>Form 6198</b> . Your loss may be limited.			32a <input type="checkbox"/> All investment is at risk. 32b <input type="checkbox"/> Some investment is not at risk.

# You Can Do It!

- Record keeping is no fun, but will save you a lot of money
- The three most important record keeping tips
  - Save all business and personal receipts
  - Track all the hours your work, particularly when children are not present
  - Track all the meals/snacks you serve, particularly those that are not reimbursed by the Food Program
- Good luck!

# Ask Tom

- ▶ Tom Copeland, JD
- ▶ No fee to answer your questions
- ▶ Phone: 651-280-5991
- ▶ Email: tomcopeland@live.com
- ▶ Blog: [www.tomcopelandblog.com](http://www.tomcopelandblog.com)
- ▶ Facebook: [www.facebook.com/tomcopelandblog](http://www.facebook.com/tomcopelandblog)
  
- ❖ <http://tomcopelandblog.com/how-to-find-choose-and-work-with-a-tax-professional-2>



**FYI:**

## The IRS funds free tax services

Sites are staffed by volunteers who are trained to prepare both federal and State returns. At most sites, tax returns are filed electronically, by computer, for safe, accurate, and fast processing.

# Free Tax Assistance

## Free Tax Preparation Services for Taxpayers in New Jersey

Funded by the IRS, Volunteer Income Tax Assistance (VITA)

VITA is for:

- Individuals of low- to moderate-income;
  - Individuals with disabilities; and
  - Non-English speaking taxpayers.
- VITA sites also offer assistance in filing for federal and State Earned Income Tax Credits (EITC) for those who qualify for these benefits.

During the tax season, you can find a VITA site near you by calling the IRS at [1-800-906-9887](tel:1-800-906-9887). Site information is also available online by entering your ZIP Code into the [IRS Site Locator](#).

[https://www.state.nj.us/treasury/taxation/vita\\_tce/freeservices.shtml](https://www.state.nj.us/treasury/taxation/vita_tce/freeservices.shtml)



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# Questions?

- Ask Tom Copeland
- 651-280-5991
- [tomcopeland@live.com](mailto:tomcopeland@live.com)
- No fee to answer your questions
  
- Blog: [www.tomcopelandblog.com](http://www.tomcopelandblog.com)
- Facebook: [www.facebook.com/tomcopelandblog](http://www.facebook.com/tomcopelandblog)

