

## Family Child Care Home Provider Tax Tips

### IRS Form 8829: Understanding Expense Deductions for the Business Use of Your Home

March 2024

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.

**Shared Expenses.** Family child care providers may have some expenses that are considered “shared expenses” – they are partly for personal purposes and partly for business purposes. When a family child care provider has shared expenses – use [IRS Form 8829](#) to report those expenses. When an expense is related to your business only, use [IRS Form Schedule C](#) (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., 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).

**The Time-Space Percentage.** 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 in your home used regularly for business purposes divided by the total number of square feet in your home. Both 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.

Form <b>8829</b>		<b>Expenses for Business Use of Your Home</b>		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		File only with Schedule C (Form 1040). Use a separate Form 8829 for each home you used for business during the year. Go to <a href="http://www.irs.gov/Form8829">www.irs.gov/Form8829</a> for instructions and the latest information.		<b>2023</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 8,760	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. See instructions for columns (a) and (b) before completing lines 9-22.	8		
9	Casualty losses (see instructions)	9	(a) Direct expenses	(b) Indirect expenses
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 2024</b>				
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 (2023)

#### Common “Shared” Expenses Reported on IRS Form 8829

- |  |               |
|--|---------------|
| Home or Rental Insurance                           | House Repairs |
| Rent   | Furniture     |
| Mortgage Interest                                  | Appliances    |
| Utilities (gas, oil, electric, sewer, water, etc.) | Swing set     |
| Property Taxes                                     | Lawnmower     |

#### Expenses Need an “Adequate Record”

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