

## Key Deductions

**AUTO TRAVEL:** Your auto expense is based on the number of qualified business miles you drive. Auto expense for you as a daycare provider could include your transportation:

- Σ To and from a class taken to enhance your daycare skills.
- Σ On field trips with those for whom you are providing care.
- Σ For errands related to daycare business (e.g., going to the bank to make a deposit of daycare receipts).
- Σ To the store to shop for daycare supplies.
- Σ When chauffeuring daycare attendees.

**CAPITAL PURCHASES:** Certain purchases for daycare use may be so-called "capital items". These items must be deducted on your tax return using different rules than are used for supplies and expenses (see C below). Capital items are those that normally last more than one year and cost more than \$100-typical examples would be cribs, playground equipment, etc. Be sure to keep receipts for these items separate from receipts for general supplies.



**SUPPLIES AND EXPENSES:** Generally, to be deductible, items must be ordinary and necessary to the operation of your daycare business. Record separately from other supplies, the costs of business assets, which are expected to last longer than one year and cost more than \$100. Normally, the costs of such assets are recovered differently on your tax return than are other recurring, everyday business expenses like small toys or books. Try to get separate store receipts for the items you use for daycare. For example, if you buy food for the daycare attendees, don't combine this purchase with the food purchases for personal use.

**BUSINESS USE OF HOME:** Normally, the expenses you incur (other than home mortgage interest, taxes, or casualty losses) related to your personal home are not deductible. However, when you regularly use your home for licensed daycare, a portion of the cost of your home upkeep can be deductible if the deductible amount depends on both the number of square feet you use for daycare AND the amount of time you routinely use various rooms of your home in the daycare business.

Your daycare records don't need to detail the specific hours a room in your home is used for business. It's enough to show that you regularly use a room for daycare. For instance, say your home has one bedroom that is regularly used for afternoon naps for daycare recipients if about two hours each day. Your daycare center is open from 7:00 a.m. to 6:00 p.m. Even though nap times use only two hours of the eleven hours your center is open, the bedroom is considered used for business for the entire eleven-hour business day.