



# Daycare Providers Income and Expenses

*Sprague  
& Jackson*

ACCOUNTANTS AND ENROLLED AGENTS

The Seneca Building • 121 E Seneca St • Ithaca, NY 14850

David W. Sprague, EA, ABA Principal  
Angie Jackson, EA, MSA Principal

Phone: (607) 273-5322

Fax: (607) 273-8138

Email: Admin@sprjac.com

## Daycare Providers Income and Expenses

### Employer Identification Number (EIN)

Even if you operate your daycare business as a sole proprietor or have no employees, you should obtain an EIN.

- Instead of your Social Security Number, use your EIN on Form W-10, *Dependent Care Provider's Identification and Certification*.
- Use your EIN for your business bank account.

### Business Bank Account

Have a bank account that you use exclusively for depositing daycare income and paying daycare expenses.

- Keep track of deposits from your personal funds and of reimbursements you make to yourself.
- Deposit all daycare income, including cash payments, into the business bank account.
- Use a check or debit card to pay for business expenses instead of withdrawing cash.

### Business Credit Card

Some options for tracking business expenses that you pay for with a credit card are:

- Using a business credit card exclusively for daycare business expenses.
- Dedicating a personal credit card to the exclusive use of the daycare business.

If you do not have a separate credit card, keep careful track of daycare business expenses that you charge to your personal card.

### Daycare Business Records

You may use any recordkeeping method that clearly shows your daycare income and expenses, such as hand-written ledgers, spreadsheets, and business software. You should keep the following additional records.

- Daily time log for the hours you spend in preparation, planning, recordkeeping, food preparation, clean-up, etc., in addition to the actual hours you are available for daycare.
- Attendance, rates, payment history, and meal and snack log for each person in your care.
- Mileage records for the use of your car in the daycare business.
- Home-related expenses.

### Daycare Income

As a daycare provider, you generally receive income from several sources. Examples include:

- Direct payments from parents or guardians.
- Direct payments from the employee benefit plan of a parent or guardian.
- Subsidy payments from state and local agencies or from charitable organizations for specific children or adults in your care.
- Sales of assets used in your daycare business.
- Grants from state, local, or private agencies.
- Reimbursements for expenses you incur, such as food program payments through the Child and Adult Care Food Program (CACFP).

### Reporting Income

All the above items are included in your daycare gross income.

- Grants made directly to your business are generally included in business income. If you spend the grant money in your daycare business, you can deduct those expenditures.
- Most tax professionals recommend that you include reimbursements in your business gross income. You can then claim a deduction for the expenses included in the reimbursement.