

NAFCC Member E-Newsletter – November 2009

Tom Copeland

Retirement Plan Limits for 2009

I encourage all providers to make a contribution to an IRA for 2009. During tough economic times this might be hard to do. But, even saving this year can make a big difference in the long run. If you start saving \$5 a day for 5 days a week in 2010 you will have \$1,250 by the end of the year. If you invest this \$25 a week within an IRA and earn 8% a year for 10 years, you will end up with \$19,127!

Here are the limits for contributions to various IRA plans for 2009. The deadline for your contribution is April 15, 2010.

- Traditional IRA and Roth IRA: \$5,000 (plus an additional \$1,000 if you are age 50 or over).
- SIMPLE IRA: \$11,500 of your net profit (plus an additional \$2,500 if you are age 50 or over). You must have established for SIMPLE IRA by October 1, 2009 to make a 2009 contribution.
- SEP IRA: 18.58% of your net profit.

Retirement Savings Contribution Credit

For low-income providers there is an additional tax credit for making a contribution to an IRA. It is also known as the Saver’s Credit. The tax credit for contributing to an IRA (traditional, ROTH, SEP and SIMPLE) and employer-sponsored retirement plan (401k and 403b) is as follows for 2009:

Joint Filers Adjusted Gross Income AGI	Head of Household Filers AGI	Other Filers AGI	Credit	Maximum Credit
\$0-\$33,000	\$0-\$24,750	\$0-\$16,500	50%	\$1,000
\$33,001-\$36,000	\$24,751-\$27,000	\$16,501-\$18,000	20%	\$400
\$36,001-\$55,500	\$27,001-\$41,625	\$18,001-\$27,750	10%	\$200
Over \$55,500	Over \$41,625	Over \$27,750	0%	\$0

For example, an eligible provider (married, filing jointly) who contributed \$1,000 to a SIMPLE IRA and whose family adjusted gross income was \$32,000 would get a \$500 tax credit; the tax-deductible contribution would save about \$150 in income taxes (15% tax bracket) for a total of \$650 tax savings. It would actually cost the provider about \$350 to get a \$1,000 added to her retirement fund. If this person contributed to a Roth IRA she would still get the \$500 tax credit, but not the \$150 tax savings because contributions to a Roth IRA are not tax deductible.

To claim this credit fill out Form 8880 and report the amount on Form 1040, line 50.

If you did make a contribution to your IRA in an earlier year but did not claim this tax credit, you can file an amended tax form (Form 1040X) and get a refund!

For a comprehensive discussion of retirement plan and how to save more money, see the *Family Child Care Money Management and Retirement Guide* by Tom Copeland, available through www.nafcc.org. Members get a discount.

The Business of Family Child Care on the Internet

There are a lot of resources on the Internet to help you better manage your business. Here is a list of some of these resources:

Better Kid Care (www.betterkidcare.psu.edu/HBCO/HBOPart1.pdf) -Family Child Care... It's a Business – good booklet for new providers

Child Care Law Center (www.childcarelaw.org) - booklets and resources on the Americans with Disabilities Act, landlord/tenant law, California legal issues

Child Welfare League of America (www.cwla.org/programs/daycare/clearinghouse.htm) - a clearing house of family child care research, organizations, advocacy, business resources,

DayCareProviders (www.daycareproviders.com) - Directory of links to a variety of resources

Examining Family Child Care Quality from a Business Perspective (www.cecl.nl.edu/research/issues/rnw09.pdf) - Describes new publication Business Administration Scale for Family Child Care (BAS) published by Teachers College Press

Internal Revenue Service (www.irs.gov) – tax forms, publications

List of recommended family child care books by the Child Care Information Center (Wisconsin) (dpi.wi.gov/ccic/rec_books_family.html)

National Association for Family Child Care (www.nafcc.org) – Business Center, articles, handouts, insurance directory, webinars, other business resources

National Child Care Information and Technical Assistance Center (www.nccic.org) – research studies, state licensing rules, financing, broad range of resources

National Network for Child Care (www.nncc.org) – Resource links made available by Cooperative Extension

Redleaf Press (www.redleafpress.org/productdetails.cfm?PC=1419) - Free online calculators for budget, cash flow projection, and break-even are part of the Family Child Care Business Planning Guide by Tom Copeland

Websites (childcarelounge.com/articles/build.htm) – Directory of commercial sites that help providers to create their own website. For a listing of some provider web sites to visit: www.childcarelounge.com/linksproviders.htm

If you have a favorite Web site that helps you be a better provider (whether it's about business issues or not), send them to me and I'll post a listing of sites recommended by NAFCC members in a future e-newsletter. Send your favorite sites to tcopeland@nafcc.org.

Question of the Month

“I rent a home where I do child care. Earlier this year I put in an egress window. How can I deduct this expense?”

An egress window would be considered a home improvement because it increases the value of the home. Other examples of home improvements would include: remodeling, a new furnace, new roof, or adding a deck. Under the normal rules of depreciation you would depreciate a home improvement over 39 years. However, there is a different rule when you lease a home or rent an apartment. Because of your situation you can depreciate your home improvement over 15 years. This rule will expire on December 31, 2009. Any home improvements made by someone who rents or leases after that time will have to be depreciated over 39 years.

There is another benefit of the rule that allows you to depreciate your egress window over 15 years. Since the time you are depreciating this item is less than 20 years you can also take advantage of the Additional 50% Depreciation rule that allows you to claim half of your depreciation in 2009 and depreciate the other half over 15 years. This will give you a much higher deduction in 2009. Any provider who rented or leased in 2008 can take advantage of this additional 50% depreciation rule by amending their tax return.

November Webinar – Mastering Advanced Record Keeping

Each month I'm doing a webinar for family child care providers on various business issues. The response to the previous webinars has been very positive. Here's the scheduled webinar for November:

Tuesday, November 17th - 5:30 PM PST, 6:30 PM MT, 7:30 PM CT, 8:30 PM ET

Mastering Advanced Record Keeping II

Participants will learn how to take advantage of the more complex tax laws affecting their business and protect themselves in case of an IRS audit. Content includes:

- * How to depreciate your furniture, appliances, home improvements, and the home.
- * How to recapture previously unclaimed depreciation from earlier years.
- * What mistakes to avoid when hiring family members and other employees.
- * How to amend your tax return.
- * Lessons from IRS audits of family child care providers:
- * What you can do to protect yourself in case you are audited.

Cost: \$25.00 (Members)

To register:

<http://www.nafcc.org/shoppingcartAdvanced/shop/>

To receive an additional discount when signing up for 3 or more of Tom's Webinars at once, please call: 800-359-3817 x 226

Contact Tom

If you have any questions about the business of family child care, please call or email me for help: 800-359-3817 (ex 321); tcopeland@nafcc.org.