

Closing for the Summer

Summer is a time for vacations, family outings, and personal activities such as gardening, reading, and just plain rest. For many family child care providers, summer is a time to reduce their hours of operation. Taking some time off in the summer may be based on personal choice, or it may be a necessity because of a reduced demand for services. Some child care parents may withdraw their children for summer camps or family vacations. Other parents, such as teachers, work fewer hours in the summer and plan to spend more time with their children.

What are the tax consequences of reducing your summer hours?

When you work fewer hours your income will go down. In addition, serving fewer meals and snacks means you will receive less reimbursement from the Food Program. One of the financial challenges of being a family child care provider is managing the ups and downs of your income as parents come and go. Plan ahead when you know that your income will be less in the summer. Try to keep your expenses down during this time. Put aside some of the money you are earning the rest of the year to help you get through the slower summer months.

One of the biggest tax benefits of being a family child care provider is the ability to deduct a portion of your house expenses, including property tax, mortgage interest, utilities, house insurance, house repairs, and house depreciation. The amount of the deduction you can claim for these items is based on your Time-Space Percentage. This percentage is determined by how many hours you work in your home and how much space you are using in your home on a regular basis for your business. If you are closed for a month or two during the summer, this should not make any difference in your space percentage. In other words, if you are using a bedroom for naps on a daily basis for ten months of the year and not at all for two months, you would still count this room as being used on a regular basis throughout the year. If you are closed from a week to several months during the summer, this will have an effect on your time percentage. The fewer hours you work, the lower your time percentage, and ultimately the lower your home business deductions will be. To help reduce this impact, keep careful track of all the hours you work during the summer. Include in this accounting all the hours children are at your home. This may be more complicated to track if you have children attending part

days, or on an irregular basis. Also, be sure to record all hours you are spending on business activities when the children are not present, including hours spent on activity preparation, cleaning, meal preparation, and special projects such as painting the playroom, building outdoor equipment, and reorganizing your records.

Regardless of the impact of reduced income and lower home deductions, it is a good idea to take time off each year for yourself. Family child care providers work very hard and you deserve some days of rest. Enjoy!

This handout was produced by Resources for Child Caring (www.resourcesforchildcare.org). For additional family child care business publications, contact Resources for Child Caring's publishing division, Redleaf Press, at 800-423-8309 or visit www.redleafpress.org.