

Getting Ready for 2025 Tax Returns: Family Child Care Provider Tips (for tax returns filed in the spring of 2026)

Don't Let Tax Season Get You Down: Be Ready!
Know the basics! 😊



File Pay Refunds Credits & Deductions Forms & Instructions

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Child Care Aware of New Jersey, February 26, 2026
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2025 – What a year!

Economy Impact: Many family child care providers

- Struggled to maintain full enrollment
- Faced staffing challenges
- May have shut down temporarily due to COVID-19/other illnesses
- Had fluctuations in revenue
- Had increased costs (e.g., health & safety, cleaning, FOOD, etc.)
- May have received government funds (e.g., subsidy, CACFP, etc.)

This webinar is about getting ready to file 2025 taxes **(during Spring 2026)**

- Handling grants
- Common tax deductions
- Basic tax forms
- Maximizing income (which means reducing tax liability)
- Record-keeping that can save you money
- Q&A

*** I am not rendering legal, tax, or other professional advice. If you require this type of assistance, please consult a professional to represent/work with you.**



Income

What's considered income?

- Parent payments
- State grants (e.g., subsidy, DFD, NJ EDA, etc.)
- Food program (e.g., CACFP)

IRS Form 1099-NEC: Sample Form

VOID CORRECTED

| | | | |
|---|-----------------|--|--|
| PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. | | OMB No. 1545-0116 Form 1099-NEC (Rev. April 2025) For calendar year | Nonemployee Compensation |
| PAYER'S TIN | RECIPIENT'S TIN | 1 Nonemployee compensation \$ \$3,000 | |
| RECIPIENT'S name | | 2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/> | Copy 1 For State Tax Department |
| Street address (including apt. no.) | | 3 Excess golden parachute payments | |
| City or town, state or province, country, and ZIP or foreign postal code | | 4 Federal income tax withheld | |
| Account number (see instructions) | | 5 State tax withheld 6 State/Payer's state no. 7 State income | |
| | | \$ | \$ |
| | | \$ | \$ |

Form **1099-NEC** (Rev. 4-2025) www.irs.gov/Form1099NEC Department of the Treasury - Internal Revenue Service

IRS Form 1099-NEC (Nonemployee Compensation)

- If you received more than \$600, the agency/organization may send you IRS Form 1099-NEC.
- If so, there should be an amount listed on line 1 (Nonemployee compensation)
- This amount may represent:
 - One or more grants you received in 2025 (e.g., maybe a stabilization grant, Thriving by Three, etc.).
 - Child care subsidy funding
- If you don't receive a 1099, you still need to claim these funds as revenue (income) to your program.
- Double check that the 1099 is the amount you received.

TIP: Make sure you keep a record of all funds received and flag funds from the state so you can match that amount to the 1099. Likely it's correct, but double checking is best. 😊

2025 – Schedule C with 1099 Information

Schedule C with Form 1099-NEC Info

Sample Form

| SCHEDULE C (Form 1040) | | Profit or Loss From Business (Sole Proprietorship) | | OMB No. 1545-0074 |
|--|--|---|--------------------------|--|
| Department of the Treasury Internal Revenue Service | | Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065. Go to www.irs.gov/ScheduleC for instructions and the latest information. | | 2025 Attachment Sequence No. 09 |
| Name of proprietor | | Social security number (SSN) | | |
| A Principal business or profession, including product or service (see instructions) | | B Enter code from instructions | | |
| C Business name. If no separate business name, leave blank. | | D Employer ID number (EIN) (see instr.) | | |
| E Business address (including suite or room no.) City, town or post office, state, and ZIP code | | | | |
| F Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) | | | | |
| G Did you "materially participate" in the operation of this business during 2025? If "No," see instructions for limit on losses <input type="checkbox"/> Yes <input type="checkbox"/> No | | | | |
| H If you started or acquired this business during 2025, check here <input type="checkbox"/> Yes <input type="checkbox"/> No | | | | |
| I Did you make any payments in 2025 that would require you to file Form(s) 1099? See instructions <input type="checkbox"/> Yes <input type="checkbox"/> No | | | | |
| J If "Yes," did you or will you file required Form(s) 1099? <input type="checkbox"/> Yes <input type="checkbox"/> No | | | | |
| Part I Income | | | | |
| 1 | Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/> | 1 | | |
| 2 | Returns and allowances | 2 | | |
| 3 | Subtract line 2 from line 1 | 3 | | |
| 4 | Cost of goods sold (from line 42) | 4 | | |
| 5 | Gross profit. Subtract line 4 from line 3 | 5 | | |
| 6 | Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) | 6 | \$3,000 | |
| 7 | Gross income. Add lines 5 and 6 | 7 | | |
| Part II Expenses. Enter expenses for business use of your home only on line 30. | | | | |
| 8 | Advertising | 8 | | 18 Office expense (see instructions) |
| 9 | Car and truck expenses (see instructions) | 9 | | 19 Pension and profit-sharing plans |
| 10 | Commissions and fees | 10 | | 20 Rent or lease (see instructions): |
| 11 | Contract labor (see instructions) | 11 | | a Vehicles, machinery, and equipment |
| 12 | Depletion | 12 | | b Other business property |
| 13 | Depreciation and section 179 expense deduction (not included in Part III) (see instructions) | 13 | | 21 Repairs and maintenance |
| 14 | Employee benefit programs (other than on line 19) | 14 | | 22 Supplies (not included in Part III) |
| 15 | Insurance (other than health) | 15 | | 23 Taxes and licenses |
| 16 | Interest (see instructions): | | | 24 Travel and meals: |
| a | Mortgage (paid to banks, etc.) | 16a | | a Travel |
| b | Other | 16b | | b Deductible meals (see instructions) |
| 17 | Legal and professional services | 17 | | 25 Utilities |
| 28 | Total expenses before expenses for business use of home. Add lines 8 through 27b | 28 | | 26 Wages (less employment credits) |
| 29 | Tentative profit or (loss). Subtract line 28 from line 7 | 29 | | 27a Energy efficient commercial bldgs deduction (attach Form 7205) |
| 30 | Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. Simplified method filers only: Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____ Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30 | 30 | | b Other expenses (from line 48) |
| 31 | Net profit or (loss). Subtract line 30 from line 29. * If a profit, enter on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (If you checked the box on line 1, see instructions.) Estates and trusts, enter on Form 1041, line 3. * If a loss, you must go to line 32. | 31 | | |
| 32 | If you have a loss, check the box that describes your investment in this activity. See instructions. * If you checked 32a, enter the loss on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (If you checked the box on line 1, see the line 31 instructions.) Estates and trusts, enter on Form 1041, line 3. * If you checked 32b, you must attach Form 6198. Your loss may be limited. | 32a | <input type="checkbox"/> | All investment is at risk. |
| | | 32b | <input type="checkbox"/> | Some investment is not at risk. |

It's the government. So, there's forms...

- The income from the IRS Form 1099-NEC is listed on the IRS Schedule C Form (Profit and Loss From a Business)

For example, the \$3,000 on the 1099 could represent:

- \$2,000 for stabilization/state grants
 - \$1,000 for bonus/retention grants
 - Maybe more if you received child care subsidy payments
- The \$3,000 is listed on Schedule C, line 6

* A larger (more readable) version is on the next slide.

IRS website: <https://www.irs.gov/forms-pubs/about-schedule-c-form-1040>

Spanish: <https://www.irs.gov/es/forms-pubs/about-schedule-c-form-1040>

2025 – Schedule C with 1099 Information

Sample Schedule C/Top Half of Form

Sample IRS 1099-NEC Form

| | | | | |
|---|-----------------|---|--------------------------|---|
| <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED | | OMB No. 1545-0116 | | Nonemployee Compensation |
| PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. | | Form 1099-NEC (Rev. April 2025) For calendar year | | |
| PAYER'S TIN | RECIPIENT'S TIN | 1 Nonemployee compensation | \$3,000 | Copy 1 For State Tax Department |
| RECIPIENT'S name | | 2 Payer made direct sales totaling \$3,000 or more of consumer products to recipient for resale | <input type="checkbox"/> | |
| Street address (including apt. no.) | | 3 Excess golden parachute payments | \$ | |
| City or town, state or province, country, and ZIP or foreign postal code | | 4 Federal income tax withheld | \$ | |
| Account number (see instructions) | | 5 State tax withheld | \$ | |
| | | 6 State/Payer's state no. | | |
| | | 7 State income | \$ | |
| Form 1099-NEC (Rev. 4-2025) | | www.irs.gov/Form1099NEC | | Department of the Treasury - Internal Revenue Service |

Income from Parents.

- Insert total income from parents on line 1 (gross receipts)

| | | | | |
|---|--|---|--|---|
| SCHEDULE C (Form 1040) | | Profit or Loss From Business (Sole Proprietorship) | | OMB No. 1545-0074 |
| Department of the Treasury Internal Revenue Service | | Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065. Go to www.irs.gov/ScheduleC for instructions and the latest information. | | 2025 Attachment Sequence No. 09 |
| Name of proprietor | | | Social security number (SSN) | |
| A | Principal business or profession, including product or service (see instructions) | | B Enter code from Instructions | |
| C | Business name. If no separate business name, leave blank. | | D Employer ID number (EIN) (see instr.) | |
| E | Business address (including suite or room no.) City, town or post office, state, and ZIP code | | | |
| F | Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) _____ | | | |
| G | Did you "materially participate" in the operation of this business during 2025? If "No," see instructions for limit on losses <input type="checkbox"/> Yes <input type="checkbox"/> No | | | |
| H | If you started or acquired this business during 2025, check here <input type="checkbox"/> | | | |
| I | Did you make any payments in 2025 that would require you to file Form(s) 1099? See instructions <input type="checkbox"/> Yes <input type="checkbox"/> No | | | |
| J | If "Yes," did you or will you file required Form(s) 1099? <input type="checkbox"/> Yes <input type="checkbox"/> No | | | |
| Part I Income | | | | |
| 1 | Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/> | | | 1 |
| 2 | Returns and allowances | | | 2 |
| 3 | Subtract line 2 from line 1 | | | 3 |
| 4 | Cost of goods sold (from line 42) | | | 4 |
| 5 | Gross profit. Subtract line 4 from line 3 | | | 5 |
| 6 | Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) | | | 6 |
| 7 | Gross income. Add lines 5 and 6 | | | 7 |
| Part II Expenses. Enter expenses for business use of your home only on line 30. | | | | |
| 8 | Advertising | 8 | 18 | Office expense (see instructions) |

2025 – Business Expenses

What's deductible? Where is it reported on Schedule C?

Deductible Expenses

- Expenses are deductible if they are “ordinary and necessary” for your business
- In general, the concept is – these are costs related to child care as a business (cleaning, maintenance, repairs, materials, insurance, staffing, accounting software, etc.)
- For family child care homes, there are some expenses that are shared costs** (e.g., some expenses might be 100% deductible (all business related), or some might be shared because they are partially business and partially personal costs)
 - For example, you purchase a washer & dryer. You use the washer & dryer regularly for the child care kids. But, you also use it for your family. Therefore, it's a shared expense. **Shared expenses are calculated on Form 8829.**

Schedule C expenses are 100% business expenses (e.g., extra fridge in the garage, books for the child care kids, business/professional liability insurance, etc.)

Sample Schedule C/Bottom Half of Form

| Part I Income | | Part II Expenses. Enter expenses for business use of your home only on line 30. | |
|---------------|--|---|---|
| 1 | Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/> | 8 | Advertising |
| 2 | Returns and allowances | 9 | Car and truck expenses (see instructions) |
| 3 | Subtract line 2 from line 1 | 10 | Commissions and fees |
| 4 | Cost of goods sold (from line 42) | 11 | Contract labor (see instructions) |
| 5 | Gross profit. Subtract line 4 from line 3 | 12 | Depreciation |
| 6 | Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) | 13 | Depreciation and section 179 expense deduction (not included in Part III) (see instructions) |
| 7 | Gross income. Add lines 5 and 6 | 14 | Employee benefit programs (other than on line 19) |
| | | 15 | Insurance (other than health) |
| | | 16 | Interest (see instructions): |
| | | 16a | a Mortgage (paid to banks, etc.) |
| | | 16b | b Other |
| | | 17 | Legal and professional services |
| | | 18 | Office expense (see instructions) |
| | | 19 | Pension and profit-sharing plans |
| | | 20 | Rent or lease (see instructions): |
| | | 20a | a Vehicles, machinery, and equipment |
| | | 20b | b Other business property |
| | | 21 | Repairs and maintenance |
| | | 22 | Supplies (not included in Part III) |
| | | 23 | Taxes and licenses |
| | | 24 | Travel and meals: |
| | | 24a | a Travel |
| | | 24b | b Deductible meals (see instructions) |
| | | 25 | Utilities |
| | | 26 | Wages (less employment credits) |
| | | 27a | Energy efficient commercial bldgs deduction (attach Form 7205) |
| | | 27b | b Other expenses (from line 48) |
| | | 28 | Total expenses before expenses for business use of home. Add lines 8 through 27b |
| | | 29 | Tentative profit or (loss). Subtract line 28 from line 7 |
| | | 30 | Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. Simplified method filers only: Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30 |
| | | 31 | Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Schedule 1 (Form 1040), line 3 , and on Schedule SE, line 2 . (If you checked the box on line 1, see instructions.) Estates and trusts, enter on Form 1041, line 3 . • If a loss, you must go to line 32. |
| | | 32 | If you have a loss, check the box that describes your investment in this activity. See instructions. • If you checked 32a, enter the loss on both Schedule 1 (Form 1040), line 3 , and on Schedule SE, line 2 . (If you checked the box on line 1, see the line 31 instructions.) Estates and trusts, enter on Form 1041, line 3 . • If you checked 32b, you must attach Form 6198 . Your loss may be limited. |
| | | 32a | <input type="checkbox"/> All investment is at risk. |
| | | 32b | <input type="checkbox"/> Some investment is not at risk. |

2025 – Expenses /A Closer Look at Schedule C Expenses

IRS Schedule C Expense Worksheet

The expenses on this list align with IRS Form Schedule C (Part II Expenses)

| Category | Description | Total Expenses |
|---------------------------|---|----------------|
| Advertising | Any expenses to advertise or promote your business such as printing costs, business cards, brochures, mailers or flyers. | |
| Car & Truck Expenses | Expenses related to the use of your car, van, or truck for your business. Note, for tax year 2025, the standard rate per mile is: 70 cents per mile for January 1, 2025 - December 31, 2025. | |
| Commissions & Fees | Schedule C is for all businesses. Family child care providers are unlikely to have an entry here. | |
| Contract Labor | This line is for contractors you may use. If you paid a contractor more than \$600 last year, you should have them a 1099 form indicating the amount of money you paid. Consult with a tax preparer for more information. 1099s are not used for employees, just for contractors. | |
| Depreciation | If you made any purchases exceeding \$2,500 for your business, you may need to depreciate the expense (not deduct it in one year, but instead deduct it over time). Consult with a tax preparer for more information. | |
| Employee Benefit Programs | If you have employees and you offer them benefits (e.g., health insurance or life insurance), these expenses go here. | |
| Insurance | If you have liability insurance, list it here. Do not list your own health insurance premiums or homeowner's insurance here. That is entered elsewhere. | |
| Interest | This line is for business interest such as on a business credit card or business loan. Do not enter mortgage interest here. That is entered elsewhere. | |

A Closer Look at Schedule C, Part II Expenses

| Part II | Expenses. Enter expenses for business use of yr | Total |
|---------|--|-------|
| 8 | Advertising | 8 |
| 9 | Car and truck expenses (see instructions) | 9 |
| 10 | Commissions and fees | 10 |
| 11 | Contract labor (see instructions) | 11 |
| 12 | Depreciation | 12 |
| 13 | Depreciation and section 179 expense deduction (not included in Part III) (see instructions) | 13 |
| 14 | Employee benefit programs (other than on line 19) | 14 |
| 15 | Insurance (other than health) | 15 |
| 16 | Interest (see instructions): | |
| a | Mortgage (paid to banks, etc.) | 16a |
| b | Other | 16b |
| 17 | Legal and professional services | 17 |

| Category | Description | Total Expenses |
|--------------------------------|--|----------------|
| Legal & Professional Fees | These are fees paid to a lawyer or a professional tax preparer. They also include fees to a professional association (e.g., your state child care association, the National Association for Family Child Care (NAFCC), the National Association for the Education of Young Children (NAEYC) or similar professional group. | |
| Office Expenses | These expenses are for items used in your business such as paper, pens, a computer, a printer, toner, tape, notebooks, file folders, extension cords, software to help you manage your business, phones, furniture, etc. In general, these are items that help support you running your business. | |
| Pension & Profit Sharing Plans | Most family child care homes do not offer pension or profit sharing plans. If you have employees, and you offer such plans, expenses are listed here. | |
| Rent or Lease | This is not about rent payments for your home. This rent or lease category is related to equipment you may rent or lease for your business. For example, maybe you rented an inflatable bounce house for your backyard for the summer for the children to enjoy. | |
| Repairs & Maintenance | The line is for any repairs or maintenance you paid for to help support your business. For example, if you need to pay someone to help set up your computer or help troubleshoot a computer problem. Or, maybe you paid a plumber to fix a toilet in the bathroom that the children use. | |
| Supplies | These are expenses related to the supplies you need for the children. For example, crayons, paint, markers, play-doh, toys, books, diapers, wipes, paper plates, toilet paper, cleaning supplies, bookcases, etc. Food costs for children in your program could be listed here or in "other expenses". | |

A Closer Look, Part II Schedule C Expenses

| | | |
|-----|--|-----|
| 18 | Office expense (see instructions) | 18 |
| 19 | Pension and profit-sharing plans | 19 |
| 20 | Rent or lease (see instructions): | |
| a | Vehicles, machinery, and equipment | 20a |
| b | Other business property | 20b |
| 21 | Repairs and maintenance | 21 |
| 22 | Supplies (not included in Part III) | 22 |
| 23 | Taxes and licenses | 23 |
| 24 | Travel and meals: | |
| a | Travel | 24a |
| b | Deductible meals (see instructions) | 24b |
| 25 | Utilities | 25 |
| 26 | Wages, less employment credits | 26 |
| 27a | Other expenses (from line 48) | 27a |
| b | Energy efficient commercial bldgs deduction (attach Form 7205) | 27b |

| | | |
|------------------|---|--|
| Taxes & Licenses | This line is for any special occupational taxes you might have to pay or licenses. For example, there may be a registration fee for operating a child care program in the state or a local fee in your town or county. There could be a business & professional tax locally based on your income. Not all localities have this, but some do as a way of generating local revenue. For example, a locality could tax your gross receipts at a small % or have an annual fee. | |
| Travel & Meals | This line is for costs associated with attending a conference or business meeting. | |
| Utilities | Do not answer this line on Schedule C. Utilities are included on Form 8829, because they are shared expenses (part personal and part business). Schedule C expenses capture 100% business expenses, not shared expenses. | |
| Wages | If you have employees, this is where you enter wage expenses. These people would receive a W-2 from you, not a 1099. If you are unclear, ask your tax preparer. You do not enter your own wages here, even if you pay yourself out of your business. Your income is listed in Part I of the Schedule C. | |
| Other Expenses | Other expenses includes anything else that you didn't list under Office Expenses or Supplies that is 100% a business expense. In general, these are likely expenses exceeding \$200. You can also list credit card processing fees here if you have such expenses. | |
| Total | | |

NO, not kid meals

Resources for You

HOME / SUCCESSFUL PROGRAM MANAGEMENT / FAMILY CHILD CARE TOOLKIT / TAX TIPS

IN THIS SECTION

- Family Child Care Toolkit
- Business Basics & Professionalism >
- Tax Tips for NJ FCC Providers
- Classroom & Activities
- Emergency Readiness
- Family Engagement
- Financial Relief for Small Businesses
- Health & Safety
- Human Resources
- Marketing
- Meals & Nutrition
- Regulations
- Tax Tips
- Training & PD

TAX TIPS

Taking the Mystery out of Tax Filing

Tax time can be confusing and overwhelming for everyone, including family child care providers. The basic concept for family child care providers revolves around two questions to determine taxes that you will pay:

- What is your income?
- What are your expenses?

However, it is not always straight forward. And, it depends to a large extent on records that you keep. That is why preparing to file your tax returns (organizing the amount of money you received as income and the amount of money you spent to operate your business) is so important. There are also some special rules for family child care providers on shared expenses (e.g., mortgage interest or rent and utilities are shared expenses because they represent expenses that are partially for business purposes and partially for personal use).

Learning & Guidance

OVERVIEW:

Tom Copeland explains the tax return process for 2021. While this is a bit dated, the general concepts remain accurate and helpful.

<https://www.njsharedresources.org/successful-program-management/family-child-care-toolkit/tax-tips/>

BUSINESS EXPENSES (DEDUCTIONS):

- Basic Deductions to Lower Your Taxes
 - [\(English\)](#) [\(Spanish\)](#)
- IRS Schedule C - Understanding Business Deductions (*one pager*)
 - [\(English\)](#) [\(Spanish\)](#)
- **IRS Schedule C Expense Worksheet**
 - *Explained Expense List adjacent to IRS Schedule C Form*
 - [\(English 🇺🇸\)](#) [\(Spanish 🇪🇸\)](#)
- Standard Mileage Rates [\(English 🇺🇸\)](#) [\(Spanish 🇪🇸\)](#)
- Questions and Answers about Deductions
 - [Part 1 🇺🇸](#)
 - [Part 2 🇺🇸](#)

Common expenses: Playroom expenses- toys, books; child furniture, cubbies, organizers; bathroom towels, soap, toilet paper; art supplies; games; office supplies- like paper, toner, pens, etc.

Schedule C Expense Worksheet: [English](#) & [Spanish](#)

Sample

2025 – Expenses

Using Schedule C for Business Expenses

SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship)

OMB No. 1545-0074
2025
Attachment Sequence No. **09**

Department of the Treasury Internal Revenue Service
Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.
Go to www.irs.gov/ScheduleC for instructions and the latest information.

Name of proprietor: _____ Social security number (SSN): _____

A Principal business or profession, including product or service (see instructions) _____ **B** Enter code from instructions _____

C Business name. If no separate business name, leave blank. _____ **D** Employer ID number (EIN) (see instr.) _____

E Business address (including suite or room no.) _____
City, town or post office, state, and ZIP code _____

F Accounting method: (1) Cash (2) Accrual (3) Other (specify) _____

G Did you "materially participate" in the operation of this business during 2025? If "No," see instructions for limit on losses Yes No

H If you started or acquired this business during 2025, check here Yes No

I Did you make any payments in 2025 that would require you to file Form(s) 1099? See instructions Yes No

J If "Yes," did you or will you file required Form(s) 1099? Yes No

Part I Income

| | | | |
|---|--|---|--|
| 1 | Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/> | 1 | |
| 2 | Returns and allowances | 2 | |
| 3 | Subtract line 2 from line 1 | 3 | |
| 4 | Cost of goods sold (from line 42) | 4 | |
| 5 | Gross profit. Subtract line 4 from line 3 | 5 | |
| 6 | Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) | 6 | |
| 7 | Gross income. Add lines 5 and 6 | 7 | |

Part II Expenses. Enter expenses for business use of your home only on line 30.

| | | | | | | | |
|-----|--|-----|---------|-----|--|-----|---------|
| 8 | Advertising | 8 | \$100 | 18 | Office expense (see instructions) | 18 | \$1,000 |
| 9 | Car and truck expenses (see instructions) | 9 | | 19 | Pension and profit-sharing plans | 19 | |
| 10 | Commissions and fees | 10 | | 20 | Rent or lease (see instructions): | | |
| 11 | Contract labor (see instructions) | 11 | \$200 | a | Vehicles, machinery, and equipment | 20a | |
| 12 | Depreciation | 12 | | b | Other business property | 20b | |
| 13 | Depreciation and section 179 expense deduction (not included in Part III) (see instructions) | 13 | | 21 | Repairs and maintenance | 21 | |
| 14 | Employee benefit programs (other than on line 19) | 14 | | 22 | Supplies (not included in Part III) | 22 | \$300 |
| 15 | Insurance (other than health) | 15 | \$1,200 | 23 | Taxes and licenses | 23 | |
| 16 | Interest (see instructions): | | | 24 | Travel and meals: | | |
| a | Mortgage (paid to banks, etc.) | 16a | | a | Travel | 24a | |
| b | Other | 16b | | b | Deductible meals (see instructions) | 24b | |
| 17 | Legal and professional services | 17 | | 25 | Utilities | 25 | |
| 26 | Wages (less employment credits) | 26 | | 27a | Energy efficient commercial bldgs deduction (attach Form 7205) | 27a | \$1,000 |
| 27b | Other expenses (from line 48) | 27b | | | | | |
| 28 | Total expenses before expenses for business use of home. Add lines 8 through 27b | 28 | | | | | |
| 29 | Tentative profit or (loss). Subtract line 28 from line 7 | 29 | | | | | |
| 30 | Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. | | | | | | |

Illustrative Schedule C Expenses

- Advertising \$100
- Contract labor (e.g., snow shoveling, raking, mowing the yard, painting, etc.) \$200 (60% time-space percentage x gross \$333 expense)
- Insurance (e.g., business liability, not home ins.)
- Office expense (e.g., new laptop and printer, paper, toner) \$1,000
- Supplies (materials you may purchase for the children such as paint, puppets, sensory table, etc.) \$300
- Other expenses (food) \$1,000

Seems like a lot. But, if you track expenses, you can cross them over to the tax forms.

Monthly Expense Log (excel template- Taxes, Fees; Travel (Gas); Miles; Food; Toys & Materials; Office Expenses; Supplies; Activity Expenses; Classes; Insurance; Repairs & Maintenance, etc.) [English](#) & [Spanish](#)

2025 – Expenses

What's deductible? Shared Expenses are reported on [Form 8829](#)

Deductible Expenses

- **For family child care homes, there are some expenses that are shared costs** (e.g., some expenses might be 100% deductible (all business related), or some might be shared because they are partially business and partially personal costs)
 - For example, you purchase a dishwasher for the kitchen. You use the dishwasher regularly for the child care kids. But, you also use it for your family. Therefore, it's a shared expense.

Common Deductions (FCC)

- **Den/Playroom:** toys, rugs, furniture, books, materials
- **Outdoors:** lawn mower, rake, shovel, fence, patio furniture, outdoor toys, etc.
- **Living Room:** Curtains, furniture, lamps, ceiling fan, etc.
- **Bathroom:** towels, soap, toilet paper, rug, etc.
- **Garage/basement:** tools, freezer, storage shelves, etc.
- **COVID-19 related:** PPE, disinfectants, thermometers, room dividers, deep cleaning, cleaning services, food deliveries, curriculum, activity expenses, technology, painting, repairs, etc.)

House Related Deductions

- **Property tax, mortgage interest, rent, utilities (gas, electric, water, sewer, cable TV, WIFI, insurance, repairs, etc.)**

For FCC, if an item is exclusively for business, it's 100% deductible. If it's a shared use, then you apply the Time-Space Percentage. What's that? 😊 That's [IRS Form 8829](#). The next few slides will review the basics on the time-space percentage and Form 8829.



2025 – Shared Expenses, IRS Form 8829

Sample Form 8829

The time-space percentage is a formula used to determine how much of your shared (business & personal) expenses you can deduct.

- **Time Percent:** The number of hours you use your home for your business. **All hours (not just with kids)!**
- **Space Percent:** The number of square feet you use on a regular basis for your business. **(All space the kids use and you use for business. E.g., the freezer in the basement)**
- **Time % x Space % = the Time-Space Percentage** (which is applied against the shared expenses for the deductible amount)

The result: (For example)

- \$50 arts and craft supplies used 100% for business = \$50 business deduction (**Use Schedule C**)
- \$100 toy used for both business and personal purposes x 60% Time-Space % = \$60 business deduction (**Form 8829**)
- \$50 sweater for yourself = zero business deduction. Personal expenses are not deductible

The image shows a sample of IRS Form 8829 for the year 2025. The form is titled "Expenses for Business Use of Your Home" and includes instructions for filing with Schedule C (Form 1040). A red circle highlights the "Part I" section, "Part of Your Home Used for Business". The form contains various lines for reporting expenses, including a table for "Figure Your Allowable Deduction" with columns for direct and indirect expenses, and a table for "Depreciation of Your Home".

| Date | Daily Time with Children | Time without Children | | | | | | | | | | Total Daily Time |
|--|--------------------------|-----------------------|---------|-------------------|---|-------------------------------------|--------------------------|-------------------------|--|---|--|------------------|
| | | Cleaning | Laundry | Preparing Lessons | Admin (paying bills, managing accounts) | Trainings, Professional Development | Shopping for FCC program | Webinars, Zoom meetings | Research for FCC Program (e.g. COVID best practices) | Yard Care (e.g., lawn care, shoveling snow) | Parent Engagement (talking to parents outside of child care hours) | |
| For Example: Fill in the chart below. Be sure to modify the first 2 lines to reflect your hours. These are just examples to fill out the form. | | | | | | | | | | | | |
| 1/2/2025 | 9 | 1 | 1 | 2 | 2 | 0 | 0 | 1 | 1 | 1 | 1 | 19 |
| 1/3/2025 | 9 | 2 | 1 | 2 | | 1 | | | 1 | | 1 | 17 |
| 1/4/2025 | | | | | | | | | | | | 0 |

Tax Tip: Use this FCC Time Tracker! [English](#) & [Spanish](#)

2025 – Form 8829 /A Closer Look at the Time-Space Percentage

IRS Form 8829 Worksheet

The expenses on this list align with IRS Form 8829 (Part I, Business Use of Your Home & Part II, Allowable Deductions)

| Time-Space Calculation | |
|--|--|
| Part I. Part of Your Home Used for Business | |
| Square feet used for business (include your garage, basement, and deck if you use them for business). For example, maybe you have an extra refrigerator in the basement or store toilet paper and paper towels in the garage. | |
| Total square feet for your home (use the garage, basement, and deck/porch if you use them for business and included them above). | |
| Divide your business space by your total space | |
| List the total hours you worked for the year operating your business (the hours that children are in your care plus the hours you worked to support your business such as cleaning, preparing lessons, admin related to billing parents or reconciling accounts, time spent on webinars or trainings, talking to parents, etc.). | |
| Divide the hours you worked by 8,760 (or 8,784 in a leap year (e.g., 2024, 2028, etc.)) | |
| Multiply the space % by the hour % | |

A Closer Look at IRS Form 8829 Part I, Business use of Your Home

| Part I Part of Your Home Used for Business | | | |
|--|---|---|-----|
| 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 | % |

Line 7 is your time-space percentage.

The **time-space percentage** will be used against the expenses on the back side of this worksheet to determine the percentage of the expense that is allowed as a deduction for business purposes. Expenses that are 100% for business are listed on Schedule C as one part of your overall deductible expense calculation. Form 8829 collects shared expenses (the expenses that are partly for business and partly for personal use). These expenses are multiplied by the time-space percentage to determine the amount of the expense that you can deduct for business purposes.

Resources for You

HOME / SUCCESSFUL PROGRAM MANAGEMENT / FAMILY CHILD CARE TOOLKIT / TAX TIPS

TAX TIPS

Taking the Mystery out of Tax Filing

Tax time can be confusing and overwhelming for everyone, including family child care providers. The basic concept for family child care providers revolves around two questions to determine taxes that you will pay:

- What is your income?
- What are your expenses?

However, it is not always straight forward. And, it depends to a large extent on records that you keep. That is why preparing for the year tax returns (organizing the amount of money you received as income and the amount of money you spent to operate your business) is so important. There are also some special rules for family child care providers on shared expenses (e.g., mortgage interest or rent and utilities are shared expenses because they represent expenses that are partially for business purposes and partially for personal use).

Learning & Guidance

OVERVIEW:

Tom Copeland explains the tax return process for 2021. While this is a bit dated, the general concepts remain accurate and helpful.

<https://www.njsharedresources.org/successful-program-management/family-child-care-toolkit/tax-tips/>

SHARED EXPENSES:

This section provides clarification about deductions when expenses are partially for personal purposes and partially for business purposes.

- **Business Use of Your Home**
 - IRS Publication 587 - includes a section on Family Child Care - see pages 12 & 13
- Monthly Business Expense Tracker (Excel)
 - (English) (Spanish)
- Time-Space Percentage Explainer (one pager)
 - (English) (Spanish)
- Monthly FCC Provider Time Tracker Template with Annual Calculations
 - This Excel spreadsheet allows you to track time with and without children in operating your home business AND calculates the annual Time-Space Percentage for you!
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- IRS Form 8829 - Understanding Shared Expense Deductions (one pager)
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 - A closer look at the allowable deductions categories with a worksheet aligned with the categories on Form 8829. This is a detailed explainer on the Expense Deductions for the Business Use of your Home adjacent to IRS Form 8829.
 - (English) (Spanish)

Form 8829 worksheet: [English](#) & [Spanish](#)

Time-Space Percentage worksheet: [English](#) & [Spanish](#)

2025 – Form 8829 /Worksheet to Help Calculate Time-Space Percentage

FCC Toolkit Excel Template to help calculate the time-space percentage [English](#) & [Spanish](#)

Resources for You

Enter the information in the green areas below to obtain the total time/space calculation. All the blue highlighted areas will automatically calculate for you.

| | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | ANNUAL TOTALS |
|---|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------------|
| Part 1 | Time | | | | | | | | | | | | |
| Total hours caring for children during the month | 258 | 258 | 258 | 258 | 258 | 258 | 258 | 258 | 258 | 258 | 258 | 258 | 3096 |
| Total business hours when children aren't present | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 720 |
| Total business hours | 318 | 318 | 318 | 318 | 318 | 318 | 318 | 318 | 318 | 318 | 318 | 318 | 3816 |
| Percentage of Time* (Total Bus. Hours/8,760 in 2025) | 43.6% | 43.6% | 43.6% | 43.6% | 43.6% | 43.6% | 43.6% | 43.6% | 43.6% | 43.6% | 43.6% | 43.6% | 43.6% |
| Part 2 | Space -- 100% use for child care | | | | | | | | | | | | |
| Total 100% of areas used for child care (square feet) | 1200 | | | | | | | | | | | | 1200 |
| Total square footage of your home | 3000 | | | | | | | | | | | | 3000 |
| Total Exclusive Child Care Use | 40.0% | | | | | | | | | | | | 40.0% |
| Part 3 | Space -- Mixed-Use (Business & Personal) | | | | | | | | | | | | |
| Total area mixed use (square feet) | 1500 | | | | | | | | | | | | 1500 |
| Total square footage of your home | 3000 | | | | | | | | | | | | 3000 |
| Total Mixed Use Space | 50.0% | | | | | | | | | | | | 50.0% |
| Total | Total Business Use (Time x Space) | | | | | | | | | | | | |
| Time % multiplied by Mixed Use | 21.8% | | | | | | | | | | | | 21.8% |
| Exclusive Use | 40.0% | | | | | | | | | | | | 40.0% |
| Total Business Use = Time x Space | 61.8% | | | | | | | | | | | | 61.8% |
| *Note: Spreadsheet calculated annual Part 1 - Percentage of time x 8,760 (number of hours in a year for 2025) The number of hours in a leap year are increased every 4 years to 8,784 days (e.g., 2024, 2028, 2032, 2036, etc.) For non-leap years, the number of hours in a year are 8,760 | | | | | | | | | | | | | |

60 hours per week with kids
(x 4.3 weeks per month)

43.6% * 50% = 21.8% (Mixed Use)
40% (Exclusive Use)
Total: 21.8% + 40% = 61.8%

HOME / SUCCESSFUL PROGRAM MANAGEMENT / FAMILY CHILD CARE TOOLKIT / TAX TIPS

IN THIS SECTION

Family Child Care Toolkit
Business Basics & Professionalism >

Tax Tips for NJ FCC Providers

Classroom & Activities

Emergency Readiness

Family Engagement

Financial Relief for Small Businesses

Health & Safety

Human Resources

Marketing

Meals & Nutrition

Regulations

Tax Tips

Training & PD

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However, it is not always straight forward. And, it depends to a large extent on records that you keep. That is why preparing to file your tax returns (organizing the amount of money you received as income and the amount of money you spent to operate your business) is so important. There are also some special rules for family child care providers on shared expenses (e.g., mortgage interest or rent and utilities are shared expenses because they represent expenses that are partially for business purposes and partially for personal use).

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OVERVIEW:

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 - [\(English\)](#) [\(Spanish\)](#)

Regular word description (not Excel)

Form 8829 worksheet: [English](#) & [Spanish](#)

Time-Space Percentage Explainer (1 pager): [English](#) & [Spanish](#)

2025 – Shared Expenses, IRS Form 8829

| Part II. Calculating Allowable Deductions for Shared Expenses (Business & Personal Use) | | |
|---|---|----------------|
| Category | Description | Total Expenses |
| Mortgage Interest | Enter the interest you paid on your mortgage for the year, but not your mortgage principal | |
| Real Estate Taxes | Enter your real estate taxes for the year | |
| Insurance | Enter your homeowner's insurance | |
| Rent | If you made rent payments, enter the annual amount paid | |
| Repairs & Maintenance | If you had repairs and maintenance expenses of a shared nature, list those expenses here | |
| Utilities | Enter your utility expenses here (e.g., electricity, gas, oil, water, etc.) | |
| Other Expenses | These are other shared expenses such as internet, cable, phone, common area repairs such as a bathroom or den everyone uses not just the <u>child care</u> children, cleaning services, lawn care, snow removal, leaf raking, laundry machine, dishwasher, etc. | |
| Total | The total of your shared expenses | |

A Closer Look at IRS Form 8829 Part II : Allowable Deductions

| Part II Figure Your Allowable Deduction | | | |
|--|--|-----------------------|---|
| | (a) Direct expenses | (b) Indirect expenses | |
| 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. | | 8 |
| See instructions for columns (a) and (b) before completing lines 9-22. | | | |
| 9 | Casualty losses (see instructions) | 9 | |
| 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 | |

Form 8829 Explained

- The top (Part I) is the time-space percentage.
- The bottom (Part II) is for shared expenses (deductions)

Line 24: Multiplies the total of your shared expenses (line 23) by line 7- your time-space percentage

Line 23 asks you to total all of your shared expenses. Line 24 then multiplies that total by the time-space percentage – line 7 is on the front side of this explainer document. The result is the amount of your shared expenses that you are allowed to claim as a deduction for business purposes.

Line 36: This is the amount you copy over to Schedule C line 30.

FCC Toolkit Form 8829 worksheet:
[English](#) & [Spanish](#)

2025 – Expenses

Using Form 8829 (Expenses for Business Use of Your Home)

Top of Form

Form 8829 Expenses for Business Use of Your Home
 File only with Schedule C (Form 1040). Use a separate Form 8829 for each home you used for business during the year.
 Department of the Treasury Internal Revenue Service
 Name(s) of proprietor(s) _____ Your social security number _____

OMB No. 1545-0074
2025
 Attachment Sequence No. 176
 Go to www.irs.gov/Form8829 for instructions and the latest information.

Part I Part of Your Home Used for Business

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 _____ %

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 _____ %

Part II Figure Your Allowable Deduction

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. 8 _____

See instructions for columns (a) and (b) before completing lines 9-22.

| | (a) Direct expenses | (b) Indirect expenses |
|--|---------------------|-----------------------|
| 9 Casualty losses (see instructions) 9 | | |
| 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 | | |

Line 10(b) for mortgage loan interest

Line 11(b) for property tax

Line 18(b) home owners insurance

Line 19(b) for rent

Line 21(b) for utilities

Line 42 house depreciation

Don't worry so much about the forms.

What is most important is to understand the concepts.

- Remember: a tax preparer is a deductible expense. 😊

Bottom of Form

Part III Depreciation of Your Home

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 _____

Part IV Carryover of Unallowed Expenses to 2022

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 _____

2025 – Expenses

When to use Schedule C vs Form 8829?

SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship)

OMB No. 1545-0074
2025
Attachment Sequence No. **09**

Department of the Treasury Internal Revenue Service
Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.
Go to www.irs.gov/ScheduleC for instructions and the latest information.

Name of proprietor _____ Social security number (SSN) _____

A Principal business or profession, including product or service (see instructions) _____ **B** Enter code from Instructions _____

C Business name. If no separate business name, leave blank. _____ **D** Employer ID number (EIN) (see instr.) _____

E Business address (including suite or room no.) _____
City, town or post office, state, and ZIP code _____

F Accounting method: (1) Cash (2) Accrual (3) Other (specify) _____

G Did you "materially participate" in the operation of this business during 2025? If "No," see instructions for limit on losses Yes No

H If you started or acquired this business during 2025, check here Yes No

I Did you make any payments in 2025 that would require you to file Form(s) 1099? See instructions Yes No

J If "Yes," did you or will you file required Form(s) 1099? Yes No

Part I Income

| | | | |
|---|--|---|--|
| 1 | Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/> | 1 | |
| 2 | Returns and allowances | 2 | |
| 3 | Subtract line 2 from line 1 | 3 | |
| 4 | Cost of goods sold (from line 42) | 4 | |
| 5 | Gross profit. Subtract line 4 from line 3 | 5 | |
| 6 | Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) | 6 | |
| 7 | Gross income. Add lines 5 and 6 | 7 | |

Part II Expenses. Enter expenses for business use of your home only on line 30.

| | | | | | | | |
|----|---|-----|--|-----|--|-----|--|
| 8 | Advertising | 8 | | 18 | Office expense (see instructions) | 18 | |
| 9 | Car and truck expenses (see instructions) | 9 | | 19 | Pension and profit-sharing plans | 19 | |
| 10 | Commissions and fees | 10 | | 20 | Rent or lease (see instructions): | 20 | |
| 11 | Contract labor (see instructions) | 11 | | a | Vehicles, machinery, and equipment | 20a | |
| 12 | Depletion | 12 | | b | Other business property | 20b | |
| 13 | Depreciation and section 179 expense deduction (not included in Part III) (see instructions) | 13 | | 21 | Repairs and maintenance | 21 | |
| 14 | Employee benefit programs (other than on line 19) | 14 | | 22 | Supplies (not included in Part III) | 22 | |
| 15 | Insurance (other than health) | 15 | | 23 | Taxes and licenses | 23 | |
| 16 | Interest (see instructions): | 16 | | 24 | Travel and meals: | 24 | |
| a | Mortgage (paid to banks, etc.) | 16a | | a | Travel | 24a | |
| b | Other | 16b | | b | Deductible meals (see instructions) | 24b | |
| 17 | Legal and professional services | 17 | | 25 | Utilities | 25 | |
| 26 | Total expenses before expenses for business use of home. Add lines 8 through 27b | 26 | | 26 | Wages (less employment credits) | 26 | |
| 27 | Tentative profit or (loss). Subtract line 26 from line 7 | 27 | | 27a | Energy efficient commercial bldgs deduction (attach Form 7205) | 27a | |
| 28 | Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. | 28 | | b | Other expenses (from line 48) | 27b | |
| 29 | Simplified method filers only: Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____ Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30 | 29 | | 28 | | 28 | |
| 30 | Net profit or (loss). Subtract line 28 from line 29 | 30 | | 29 | | 29 | |
| 31 | If a profit, enter on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (If you checked the box on line 1, see instructions.) Estates and trusts, enter on Form 1041, line 3. If a loss, you must go to line 32. | 31 | | 30 | | 30 | |
| 32 | If you have a loss, check the box that describes your investment in this activity. See instructions. | 32 | | 31 | | 31 | |
| | If you checked 32a, enter the loss on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (If you checked the box on line 1, see the line 31 instructions.) Estates and trusts, enter on Form 1041, line 3. | | | 32a | <input type="checkbox"/> All investment is at risk. | | |
| | If you checked 32b, you must attach Form 6198. Your loss may be limited. | | | 32b | <input type="checkbox"/> Some investment is not at risk. | | |

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P Schedule C (Form 1040) 2025 Created 4/3/25

FCC Providers –

You can deduct expenses on either IRS Schedule C or IRS Form 8829 (Expenses for Business Use of Your Home).

- Home related expenses (rent, mortgage interest, utilities, etc.) are reported on Form 8829. (They are shared)
- All other expenses are on Schedule C. (100% Business)

Form 8829 Expenses for Business Use of Your Home

OMB No. 1545-0074
2025
Attachment Sequence No. **176**

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| | | | |
|---|---|---|-----|
| 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 | % |
| 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 | % |

Part II Figure Your Allowable Deduction

| | | | |
|----|--|----|--|
| 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. | 8 | |
| 9 | Casualty losses (see instructions) | 9 | |
| 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 | |

Part III Depreciation of Your Home

| | | | |
|----|---|----|---|
| 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 | |

Part IV Carryover of Unallowed Expenses to 2026

| | | | |
|----|--|----|--|
| 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. 11332M Form 8829 (2025) Created 10/2/25

2025 – Car Expenses

What's best?
Ask your task
preparer.

Vehicle Expenses – Standard Mileage

- Claim vehicle expenses that are “primarily” business purposes (dropping off or picking up child care children at school or shopping for items used in your program)
- Keep records of business trips (receipts, mileage logs, cancelled checks, parking lot receipts, tolls, etc.)
- Business portion of car loan interest (e.g., business miles/total miles)
- **Standard mileage rates: (2025)**
 - 70 cents per mile from January 1, 2025 – December 31, 2025.

<https://www.irs.gov/tax-professionals/standard-mileage-rates>

Vehicle Expenses – Actual Expenses

- Claim business portion of:
 - Gas, oil changes, repairs, car insurance, tires, parking, tolls, depreciation on the car, car loan interest, AAA, jumper cables, ice scraper, maintenance, etc.
 - You must save receipts.
 - You can also claim depreciation.

The business portion (allowable deduction) is based on the total miles & business miles. E.g., $2,000/10,000 = 20\%$. So, receipts x 20%. Depreciation is calculated separately.

To claim vehicle expenses, your vehicle can be a business vehicle or a personal vehicle.

- If the vehicle is used 100% for business, you can deduct 100% of the costs (repairs, maintenance, gas). You can deduct business interest on the loan, but would need to depreciate the vehicle.

2025 – The Food Program (CACFP) and Meal Expenses

What's best?
Easy vs lots of
record-
keeping

Standard Meal Allowance

- **No need to save receipts.**
- At the end of the year, add up all meals and snacks you served and multiply by the annual standard meal allowance rate
- 2025 rate
 - \$1.66 for breakfast, \$3.15 for lunch/dinner; 93 cents per snack
 - 1 breakfast, 1 lunch, 3 snacks per child (plus dinner if applicable)

For example, a child eating breakfast and lunch and 3 snacks daily is \$7.60 per day, \$38 per week, \$1,976 per year. **If you have 5 kids, that's \$9,880 per year (if any have dinner with you, it's more).**

***Note: No deduction for your own child(ren)**

Actual Food Cost Method

- Keep all food receipts
- Estimate food/costs for child care children (you can't count your child's food)
- Need to make sure you have both business and personal food receipts.

If you receive funds from the Food program (the Child and Adult Care Food Program, CACFP), that is income.

- But, you can also take the standard meal allowance for deductions
- Non-reimbursed meals/snacks do not have to meet the USDA nutrition guidelines. They are still deductible.

Tip: Online FCC Toolkit: Meal Tracker Template (excel) [English](#) & [Spanish](#)
[Food Rate for 2025](#) (spring filing 2026 taxes, IRS Publication 587, page 14)

***Food expenses go on Schedule C under "Other Expenses"**

2025 – QBI – Qualified Business Income Deduction (20%)

Sample

Form 8995 **Qualified Business Income Deduction Simplified Computation** OMB No. 1545-0074
 Department of the Treasury Internal Revenue Service **2025** Attachment Sequence No. 55
 Attach to your tax return. Go to www.irs.gov/Form8995 for instructions and the latest information.

Name(s) shown on return _____ Your taxpayer identification number _____

Note: You can claim the qualified business income deduction only if you have qualified business income from a qualified trade or business, real estate investment trust dividends, publicly traded partnership income, or a domestic production activities deduction passed through from an agricultural or horticultural cooperative. See instructions.
 Use this form if your taxable income, before your qualified business income deduction, is at or below \$197,300 (\$394,600 if married filing jointly), and you aren't a patron of an agricultural or horticultural cooperative.

| 1 | (a) Trade, business, or aggregation name | (b) Taxpayer identification number | (c) Qualified business income or (loss) |
|-----|--|------------------------------------|---|
| i | Miss Suzie's Happy Place | | |
| ii | | | |
| iii | | | |
| iv | | | |
| v | | | |

| | | | | |
|----|---|----|-----------------|-----------------|
| 2 | Total qualified business income or (loss). Combine lines 1i through 1v, column (c) | 2 | \$70,000 | |
| 3 | Qualified business net (loss) carryforward from the prior year | 3 | | |
| 4 | Total qualified business income. Combine lines 2 and 3. If zero or less, enter -0- | 4 | \$70,000 | |
| 5 | Qualified business income component. Multiply line 4 by 20% (0.20) | 5 | | \$14,000 |
| 6 | Qualified REIT dividends and publicly traded partnership (PTP) income or (loss) (see instructions) | 6 | | |
| 7 | Qualified REIT dividends and qualified PTP (loss) carryforward from the prior year | 7 | | |
| 8 | Total qualified REIT dividends and PTP income. Combine lines 6 and 7. If zero or less, enter -0- | 8 | | |
| 9 | REIT and PTP component. Multiply line 8 by 20% (0.20) | 9 | | |
| 10 | Qualified business income deduction before the income limitation. Add lines 5 and 9 | 10 | | |
| 11 | Taxable income before qualified business income deduction (see instructions) | 11 | | |
| 12 | Enter your net capital gain, if any, increased by any qualified dividends (see instructions) | 12 | | |
| 13 | Subtract line 12 from line 11. If zero or less, enter -0- | 13 | | |
| 14 | Income limitation. Multiply line 13 by 20% (0.20) | 14 | | \$14,000 |
| 15 | Qualified business income deduction. Enter the smaller of line 10 or line 14. Also enter this amount on the applicable line of your return (see instructions) | 15 | | |
| 16 | Total qualified business (loss) carryforward. Combine lines 2 and 3. If greater than zero, enter -0- | 16 | | |
| 17 | Total qualified REIT dividends and PTP (loss) carryforward. Combine lines 6 and 7. If greater than zero, enter -0- | 17 | | |

For Privacy Act and Paperwork Reduction Act Notice, see instructions. Cat. No. 37806C Form 8995 (2025) Created 9/12/25

Form 1040 Department of the Treasury—Internal Revenue Service **2025** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.
 For the year Jan. 1–Dec. 31, 2025, or other tax year beginning _____, 2025, ending _____, 2025. See separate instructions.
 Filed pursuant to section 301.9100-2 Combat zone Deceased Spouse

Your first name and middle initial _____ Last name _____ Your social security number _____
 If joint return, spouse's first name and middle initial _____ Last name _____ Spouse's social security number _____
 Home address (number and street). If you have a P.O. box, see instructions. Apt. no. _____
 City, town, or post office. If you have a foreign address, also complete spaces below. State _____ ZIP code _____
 Foreign country name _____ Foreign province/state/county _____ Foreign postal code _____
Filing Status Single Head of household (HOH) Qualifying surviving spouse (QSS)
 Married filing jointly (even if only one had income) Married filing separately (MFS). Enter spouse's SSN above and full name here: _____
 If treating a nonresident alien or dual-status alien spouse as a U.S. resident for the entire tax year, check the box and enter their name (see instructions and attach statement if required): _____

Digital Assets Form 1040 (2025) Page 2

| | | | |
|-----|---|-----|-----------------|
| 11b | Amount from line 11a (adjusted gross income) | 11b | |
| 12a | Someone can claim <input type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent | | |
| b | Spouse itemizes on a separate return <input type="checkbox"/> You were a dual-status alien | | |
| d | You: <input type="checkbox"/> Were born before January 2, 1961 <input type="checkbox"/> Are blind Spouse: <input type="checkbox"/> Was born before January 2, 1961 <input type="checkbox"/> Is blind | | |
| e | Standard deduction or itemized deductions (from Schedule A) | 12e | |
| 13a | Qualified business income deduction from Form 8995 or Form 8995-A | 13a | \$14,000 |
| b | Additional deductions from Schedule 1-A, line 38 | 13b | |
| 14 | Add lines 12e, 13a, and 13b | 14 | |
| 15 | Subtract line 14 from line 11b. If zero or less, enter -0-. This is your taxable income | 15 | |
| 16 | Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/> | 16 | |
| 17 | Amount from Schedule 2, line 3 | 17 | |
| 18 | Add lines 16 and 17 | 18 | |
| 19 | Child tax credit or credit for other dependents from Schedule 8812 | 19 | |
| 20 | Amount from Schedule 3, line 8 | 20 | |
| 21 | Add lines 19 and 20 | 21 | |
| 22 | Subtract line 21 from line 18. If zero or less, enter -0- | 22 | |
| 23 | Other taxes, including self-employment tax, from Schedule 2, line 21 | 23 | |
| 24 | Add lines 22 and 23. This is your total tax | 24 | |

Tax and Credits
 Standard deduction for—
 • Single or Married filing separately, \$15,750
 • Married filing jointly or Qualifying surviving spouse, \$31,500
 • Head of household, \$23,625
 • If you checked a box on line 12a, 12b, 12c, or 12d, see inst.

Income
 Attach Form W-2 here. Attach Form W-2G and 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.

Net, Not Gross: QBI is calculated after business expenses are deducted from gross receipts.
 More info on [QBI from the IRS](#)

FCC Toolkit: Tax Tip Section Resources

 **Select language!**

HOME / SUCCESSFUL PROGRAM MANAGEMENT / FAMILY CHILD CARE TOOLKIT / TAX TIPS

IN THIS SECTION

- Family Child Care Toolkit
- Business Basics & Professionalism >
- Tax Tips for NJ FCC Providers
- Classroom & Activities
- Emergency Readiness
- Family Engagement
- Financial Relief for Small Businesses
- Health & Safety
- Human Resources
- Marketing
- Meals & Nutrition
- Regulations
- Tax Tips
- Training & PD

TAX TIPS

Taking the Mystery out of Tax Filing

Tax time can be confusing and overwhelming for everyone, including family child care providers. The basic concept for family child care providers revolves around two questions to determine taxes that you will pay:

- What is your income?
- What are your expenses?

However, it is not always straight forward. And, it depends to a large extent on records that you keep. That is why preparing to file your tax returns (organizing the amount of money you received as income and the amount of money you spent to operate your business) is so important. There are also some special rules for family child care providers on shared expenses (e.g., mortgage interest or rent and utilities are shared expenses because they represent expenses that are partially for business purposes and partially for personal use).

Learning & Guidance

OVERVIEW:

Tom Copeland explains the tax return process for 2021. While this is a bit dated, the general concepts remain accurate and helpful.




FINDING A PROFESSIONAL TO HELP YOU PREPARE AND FILE YOUR TAX RETURNS

- [Finding a Tax Professional to Help You](#)  (by Tom Copeland)
- [How to Find and Choose a Tax Preparer Video](#)  (by Tom Copeland)
- Need someone to prepare your tax return? [\(English\)](#)  [\(Spanish\)](#) 

<https://www.njsharedresources.org/successful-program-management/family-child-care-toolkit/tax-tips/>


Want to maximize your income? Start with reducing your tax liability. It's all about the record-keeping...

BUSINESS EXPENSES (DEDUCTIONS):

- Basic Deductions to Lower Your Taxes [\(English\)](#) [\(Spanish\)](#)
- [IRS Schedule C](#): Understanding Business Deductions Using Schedule C for Sole Proprietors - A one page explainer
- [IRS Schedule C](#): An expense worksheet aligned with the categories on Schedule C
- [2022 Standard Mileage Rate](#) 
- [Questions and Answers About Deductions - Part 1](#) 
- [Questions and Answers About Deductions - Part 2](#) 

SHARED EXPENSES:

This section provides clarification about deductions when expenses are partially for personal purposes and partially for business purposes.

- [Business Use of Your Home](#) 
 - IRS Publication 587 - includes a section on Family Child Care - see pages 12 & 13
- Monthly Business Expense Tracker *(Excel)*
 - [\(English\)](#) [\(Spanish\)](#)
- Time-Space Percentage Explainer *(one pager)*
 - [\(English\)](#) [\(Spanish\)](#)
- Monthly FCC Provider Time Tracker Template with Annual Calculations
 - *This Excel spreadsheet allows you to track time with and without children in operating your home business AND calculates the annual Time-Space Percentage for you!*
 - [\(English\)](#) [\(Spanish\)](#)
- IRS Form 8829 - Understanding Shared Expense Deductions *(one pager)*
 - [\(English\)](#) [\(Spanish\)](#)
- IRS Form 8829 Shared Expense Worksheet
 - *A closer look at the allowable deductions categories with a worksheet aligned with the categories on Form 8829. This is a detailed explainer on the Expense Deductions for the Business Use of your Home adjacent to IRS Form 8829.*
 - [\(English\)](#) [\(Spanish\)](#)

Tips & Templates

Time-Space Percentage:

- Time-Space Percentage Worksheet (Excel) [English](#) & [Spanish](#)
- 1 Page Explainer (PDF) [English](#) & [Spanish](#)

Getting Organized.

- Monthly FCC Provider Time Tracker Template [English](#) & [Spanish](#)
- Monthly Expense Log [English](#) & [Spanish](#)
- Monthly Attendance Fees and Meal Log [English](#) & [Spanish](#)

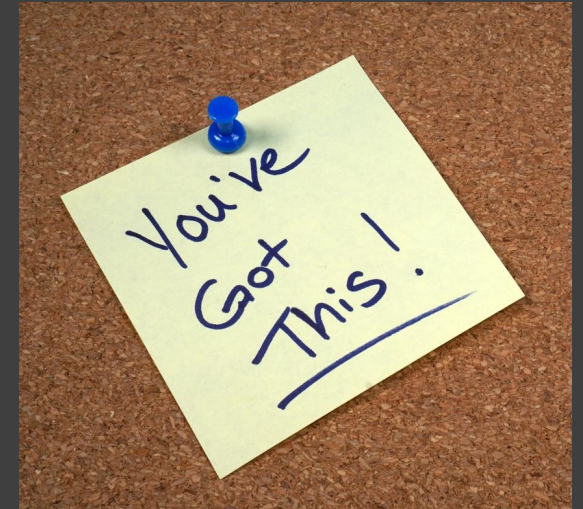
Expense Worksheets

- IRS Schedule C expense worksheet [English](#) & [Spanish](#)
- IRS Form 8829 expense worksheet [English](#) & [Spanish](#)



Finding a Professional to Help You Prepare and File Your Tax Returns

- [Finding a Tax Professional to Help You](#) (by Tom Copeland)
- [How to Find and Choose a Tax Preparer Video](#) (by Tom Copeland)
- IRS: Need someone to prepare your tax return? ([English](#))([Spanish](#))



Questions???

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* With much thanks, gratitude, and appreciation to Tom Copeland for all his shared wisdom over the years. 😊