

## Family Child Care Providers: The Child and Adult Care Food Program (CACFP) & Taxes

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**In Brief:** Family child care providers are always better off participating in the Child and Adult Care Food Program (CACFP) – even after taxes.

**What is CACFP?** The federal government reimburses child care providers for nutritious meals and snacks for children. The reimbursement rates are published in the Federal Register in July of every year (to adjust for inflation) and include a rate for breakfast, lunch or supper, and a snack. Providers can serve 2 meals and 1 snack or 1 meal and 2 snacks daily.



[For July 1, 2025 – June 30, 2026](#), the current reimbursement rates for family child care homes are:

- Breakfast: \$1.70 per child for Tier I; \$.61 for Tier II
- Lunch/Supper: \$3.22 per child for Tier I; \$1.94 for Tier II
- Snack: \$0.96 per child for Tier I; \$0.26 for Tier II

### Are CACFP payments considered income?

Yes. Income (or program revenue) from CACFP reimbursement must be claimed as income in Part 1 of the [IRS Schedule C form](#).

### Why are providers “better off” by participating in CACFP if reimbursement payments are taxed?

Under the tax code, food expenses for the children in your program are deductible. Providers have a choice of two methods:

- **The standard meal and snack rate.** Providers can choose to deduct the standard meal and snack rate (this is the CACFP reimbursement rate for Tier I – even if you are a Tier II provider) for the children who eat meals and snacks while attending the program.
- **Actual cost of expenses.** Providers can choose to deduct the actual cost of expenses (which requires keeping food receipts and subtracting expenses related to the consumption of personal food for the provider’s family).

**Note:** Meals and snacks for the provider’s own children can’t be counted regardless of whether the provider chooses the standard meal and snack rate method or the actual cost of expenses method. Once a provider chooses the methodology to be used, that method must be used for the full year (i.e., you can’t mix and match switching between methods during the year). Many providers find that it’s much easier to claim the standard meal and snack rate because the record-keeping and tracking of every food receipt (including excluding personal food expenses) is time-consuming.

### Understanding IRS deductions for family child care food expenses.

While the CACFP program only reimburses family child care providers for either 2 meals and 1 snack or 1 meal and 2 snacks per child daily, the IRS allows providers to use the standard meal and snack rate (listed above) for a maximum of: one breakfast, one lunch, one dinner, and 3 snacks per child per day (excluding the provider’s own children). This means that each day per child, the allowable food expense deduction is greater than the reimbursement provided through CACFP (if a child or children in your

program eat more meals and/or snacks than reimbursed). For example, the CACFP program could reimburse a provider for 2 meals and 1 snack per child per day (about \$5.88 per day if a child eats breakfast, lunch, plus 1 snack). However, the deduction would be worth an additional \$1.92 per child per day if you provide 3 snacks instead of 1. The CACFP program would only reimburse you for 1 snack per child per day (96 cents). But, the IRS would allow you to deduct 96 cents per snack (.96 x 2 = \$1.92) per child per day (for the additional 2 snacks beyond the CACFP reimbursement). If you serve 5 children, 5 days per week, that's a deduction of \$2,495 per year in addition to the deduction of the CACFP reimbursed meals and snacks.

**Record-keeping.** In order to be reimbursed through the CACFP program, a family child care provider needs to track the attendance of children every day and the number of meals and snacks each child eats. This form is submitted to your local Child Care Resource & Referral Agency for processing with the state agency (the NJ Department of Agriculture) in accordance with federal rules. The form limits each child to 2 meals and 1 snack daily or 1 meal and 2 snacks daily, based on the federal CACFP law.

To substantiate the IRS deduction for food expenses, for providers choosing to use the standard meal and snack rate, the same form can be used. Providers should add an additional column to that form to reflect any non-reimbursed meals and snacks. Essentially, the IRS requires family child care providers to keep a record (in case of an audit) to show child attendance and meals and snacks served (including those reimbursed by CACFP and meals and snacks exceeding CACFP payments).

#### **Reference Material.**

It's always good practice to reach out to a tax preparer to help ensure that you take every eligible deduction possible to reflect expenses related to operating your home business. You can share the below resources with your tax preparer to ensure that he or she understands the food deduction for family child care providers.

#### **Revenue Ruling 2003-22**

<https://www.irs.gov/pub/irs-drop/rp-03-22.pdf>

This 2003 revenue ruling clearly states that family child care providers can use the standard meal and snack rate instead of retaining each and every food receipt to prove food purchases for the children in your program. (Although you are free to choose to keep food receipts, exclude any food uses for personal or family use, and utilize an actual expense methodology).

#### **IRS Child Care Provider Audit Technique Guide (1/11/22)**

<https://www.irs.gov/pub/irs-pdf/p5603.pdf>

The child care provider audit guide is for tax preparers. This document explains the deductibility of food expenses for family child care providers. The audit guide covers a wide array of frequent deductions that family child care provider can use.