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DIRECTOR'S CORNER

Home Day Care: Tax Advantage or Tax Headache?

By Duane E. Bennett, CPA, MBA

Home day care providers may find it easier to deduct a portion of the dwelling as a home office, even if areas are not set aside exclusively for day care. For example, a room could be used as a living room at night and a playroom by day. If the day care is operated on a regular basis, this room could be considered a business/personal environment.

How do I calculate the portion of my home expenses deductible as business expenses?

The answer is "time/space percentage." Time (as a percentage of the year) spent in your business multiplied by the area (square footage) of the house used for the day care operation helps determine the amount of home-related expenses that can be deducted from gross income.

The most obvious time is that spent caring for children. But did you know that the same area used to house your children's toys or wash your family's clothes can be deducted if also used in your day care business? (Example: you store day care toys in the same storeroom as your children's toys and you wash items such as kitchen towels, rugs and naptime bedding in your washer.)

What are some of the household expenses I can deduct for my day care business?

Taxes and mortgage interest are normally fully deductible if you itemize your deductions. But by shifting some of these expenses from Schedule A deductions to your day care business (Schedule C), you may be able to reduce your self-employment tax. Self-



Suggested by one of our home daycare providers.

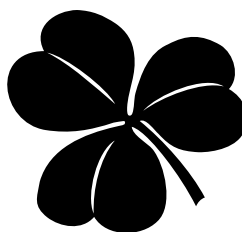
employment tax, computed on Schedule SE, is a Social Security and Medicare tax for sole proprietors such as day care providers. This results in taxes above and beyond the federal and state income tax you pay on your earnings.

Other expenses you can deduct include utilities, condo fees, insurance premiums and business telephone lines (but not the primary home line).

Additional questions to consider:

Do you presently depreciate the business portion of your home as well as other business assets used in the day care?
Have you kept very detailed, accurate records on expenses? Have you prepared all the necessary forms concerning the in-home day care business?
Have you funded retirement options (a SEP-IRA, for example) available to you as a self-employed businessperson?
Do you have a good record-keeping regimen?
Have you set aside enough tax money during the year to prevent a large deficit at tax time?

Please remember that we are not CPA's so always get advice from a Tax professional.



WELCOME NEW PROVIDERS

- Veronica E. Morton
- Jocelyn "Laurel" Allen
- LaTasha N. Jenkins
- Karen S. Smith-Clopton
- Harriette "Gail" Rogers
- Sheila E. Burrell
- Renata S. Ingram-Green

CHECK DAY DATES!

April 17th
May 17th

NEWSLETTER WINNERS!

(Please read your newsletter and mail back the "Tid Bits of Information" and you are enter in a drawing to receive a \$25 gift Certificate from Wal-Mart)

**Jenelle Jensen-
\$25 Wal-Mart Gift
Certificate!**



Creating Healthy Kids

Claim Reminders!

- Child Enrollment forms should be completed with all possible meals that could be served to each child, even if they are school-aged. If the enrollment forms say that a child leaves at 4:00 PM then we can't reimburse for supper.
- 5 day Reconciliation- USDA requirements now specify that food program staff reconcile the number of children in care when we visit your home to the number who are normally in care. Staff will document any discrepancies.

Make mealtimes pleasant experiences for your young child by following these tips:

- Involve your child in meal preparation. By allowing your preschooler to take part in meal preparation, you may help increase the child's interest in a new or unfamiliar food.
- Include at least one of your child's preferred foods. Offer a choice of foods. The meal should have at least one food that you know the child will select and eat.
- Offer a variety of colors and textures. This will create interest and increase the number of foods your child will accept.
- Keep portions child size. One way to consider portion sizes is to have one tablespoon of each type of food for each year of the child's age.
- Play it safe with foods. Round cuts of hot dogs, cherries, grapes, carrot chunks, tortilla chips, peanut butter, or nuts may cause a child to choke. Simply cut hot dogs into fourths lengthwise; cook and mash carrots; cut grapes and cherries into fourths. Don't

serve peanut butter by the spoonfuls; combine it with other food items to improve consistency. Nuts and chips should be cut finely or crushed.

- Expect and tolerate child-like table manners. Let a child be a child. Children are always learning from your table manners.
- The eating environment is important. Comfort is important at mealtime. Select chairs, tables, dishes and silverware suitable in structure and size for the preschooler. Do not expect the young child to sit still at meals; yet some reduction in activity is desirable. A child may be excused from the table if finished or disinterested in eating.
- Serve meals and snacks on a dependable schedule. Try to schedule meals before

your child becomes overly hungry, tired or irritable. Most children require planned nutritious snacks to safeguard an adequate intake of nutrients and calories.

- Offer a variety of healthy foods and children will eat what they need. Remain calm if your child leaves a portion or an entire meal untouched.
- Mealtime can be a family time. Mealtime is a good time to teach nutrition by example. Good eating habits that preschoolers learn from their parents can develop into lifelong patterns.



COOKING

Sausage and Sauerkraut

DON'T FROWN- YOUR KIDS MIGHT LIKE IT! :-)

- 2 ½ LBS. Uncooked sausage links
- 2 Medium Apples, peeled and sliced
- 2 cups Bavarian style sauerkraut, undrained
- ¼ cup Brown sugar
- ¼ cup Water



1. Cut sausage in half lengthwise; cut halves again to make quarters. Then cut into 1" strips
2. In a skillet, cook sausage until brown. Drain fat.
3. Stir in apples, sauerkraut, brown sugar and water.
4. Transfer to a 11/2 quart baking dish.
5. Cover and bake at 350 degrees for 30 minutes until heated thoroughly

Note: Bavarian style sauerkraut is sweeter and milder and contains a few caraway seeds. It suits a child's taste

Credit: What's Cooking II

