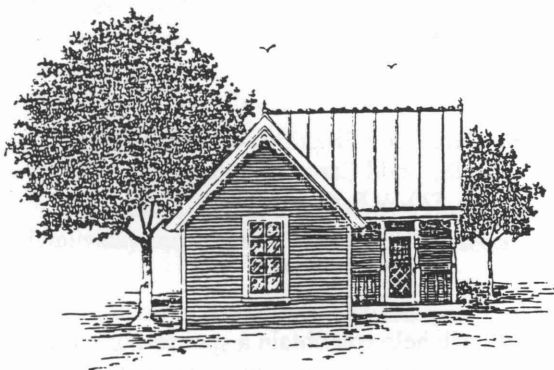


# Texas Agricultural Extension Service



## Starting a Home-Based Business in Texas

# Family Day Home Child Care

### Getting Started

Family day home child care is defined as the care of one to six children by an adult in the private home of a caregiver and can be an invaluable service to working parents and their children. Good professional day care providers take pride in their work and are concerned with the growth and development of the children in their care.

Providing care for children is one responsibility, taking care of business is another. This fact sheet will provide you with some of the information you'll need to become a family day home care provider. The section on Recordkeeping should help you develop a workable business system.

### Registration

The larger percentage of Texas children in care are in family day home care. Texas state law requires individuals that care for unrelated children in their home be registered with the Texas Department of Human Services. When registering, you agree to maintain certain standards that protect the children's health and well-being. Your home will not be inspected, unless the department receives a complaint. Registration costs \$35 and is required to be done yearly. To register your child care business contact your county's local licensing division of the Texas Department of Human Services, or the department directly at:

**Department of Human Services**  
701 W. 51st. St.  
P. O. Box 2960  
Austin, TX 78769  
(512) 450-3011

### Getting Organized

If you are interested in becoming a child family day home care provider, you can get assistance from either a day care **system** or **association**. Both are non-profit organizations which provide support services to family day care providers. Because each system and association is operated independently, support service may or may not include:

- Educational workshops and newsletters
- Arrangements for liability insurance
- Sponsorship to the Child Care Food Program (CCFP) which provides money to help pay for children's meals. See next page.
- A resource and referral service for families
- Billing of families and payment to the provider

While in many ways the services offered by a system or association are similar, a system is more likely to provide one-on-one counseling and home visits to day care providers.

Currently most providers in Texas are independent providers. If you choose to be one, you will be responsible for developing your own business policies. You must arrange your own liability insurance and sponsorship in the Child Care Food program, recruit children requiring family day care, and bill families accordingly.

Whether you choose to work with a system, association, or become an independent day care provider, make your decision carefully. Contact the systems and associations in your area and investigate what support services are available. Talk with independent providers and weigh the advantages and disadvantages of each before deciding what form of organization best fits your needs.

Day care providers often are more concerned with nurturing children than thinking about business policies when potential problems arise. Before you advertise your day care services, you should develop business policies that reflect your expectations of the parents and how to meet the children's needs. Establish policies concerning the following:

- What are your rates?
- Will you charge by the hour or the week?
- What will you charge for infants?
- Will you offer a reduced rate if you care for more than one child in a family?
- When and in what form is the payment required?
- How will you handle late payments, non-payments or bad checks?
- Will you charge for a child who is sick or on vacation?
- What will be your hours of operation?
- Will you provide care during the evening, weekends, or holidays?
- Will you charge extra for late pick-ups?
- When and what types of meals and snacks will you serve?
- What kinds of activities, both indoor and outdoor, will you provide?
- What types of special activities will you provide (e.g., movies and other field trips)?
- What are your child guidance practices?
- What are your policies regarding toilet training?
- What arrangements will be made if you are sick?
- How will you communicate with the parents on an ongoing basis?

It is also good practice to conduct a preplacement interview with the parent(s) and children. Discuss and distribute a written copy of your child care philosophy and your policies. Parents will be concerned and interested in discussing their children's habits, needs and schedules. Your relationship with them will be smoother if you communicate that you are a professional family day care provider, not a babysitter. Review and revise your policies until they clearly reflect your feelings and business attitudes.

### **Child Care Food Program (CCFP)**

CCFP provides money to day care providers to help pay for nutritious meals and snacks served to children. The amount a provider receives depends on the number

and type of meals served. Depending on your family's income, you may be eligible to be reimbursed for the cost of your own children's meals as well.

In order to participate in this program you will need a sponsoring agency. To enroll in the CCFP in Texas contact:

Child Care Food Program Administrator  
TDHS, Child Care Food Program  
520-W P. O. Box 2960  
Austin, TX 78769  
(512) 450-3147

This office will help you obtain a sponsoring agency, which will be a nonprofit organization that accepts responsibility for the CCFP management. The sponsoring agency will provide nutrition training and answer your questions regarding menu planning, preparation, sanitation and recordkeeping.

### **Accident and Liability Insurance**

Will you be covered by your present homeowners or automobile insurance if an accident occurs? In most instances, probably not because you are now a business person providing day care.

When you shop for additional insurance, contact different agencies and compare rates. Explain to the insurance agents specifically what your day care business entails (e.g., number of children, their activities, and if they ride in your car). It is important that your insurance agent fully understands family day care.

Associations and systems may provide information or policies for family day care providers. Review the coverage and costs of the policies/rider to make sure you are covered in the event of an accident or law suit.

### **Child Care Provider Training**

Texas Agricultural Extension Service has developed a training program called, **The Family Day Home Care Provider**. This program can help you learn more about: child development and guidance, nutrition, health and safety and management of your business. The program consists of a manual (\$20) and a four-part video series that is borrowed from the county Extension office. The program cycle occurs 3 times a year. If you are interested in this program, contact your local county Extension agent for further details.

## Recordkeeping

If you develop a consistent pattern of recordkeeping, pertinent information will be on hand when you need it. Good records will give you a more accurate picture of whether you actually are earning or losing money in your work, and will be helpful in case of tax audit or payment default.

Take time each day or week to record separately your family day care expenses from your personal expenses.

- Organize a work area where you can do your recordkeeping.
- Develop a notebook or ledger to record attendance, income and expenses.
- Store receipts in separate envelopes.
- Maintain a checkbook and register exclusively for day care business.
- Obtain tax forms and instruction booklets.
- Invest in a pocket calculator to help you calculate depreciation on the space used in your home for your business.

### Checklist of Day Care Expenses

It is easy to overlook a few things when totaling day care expenses or income tax deductions. Here is a list of possible tax deductions:

- Food and infant formula
- Toys, games, and arts and crafts supplies
- Safety equipment required by the Department of Human Services
- Field trip costs
- Mileage for business and transportation of children
- Bedding for children
- Cost of workshops classes and materials pertaining to family day care
- Dues and membership fees
- Payment for a substitute day care provider
- Liability and accident insurance
- First aid supplies
- Repairs to equipment and your home
- Laundry and cleaning

- Household maintenance items
- Office supplies and photo duplication
- Bank charges for a business account
- Advertising
- Legal assistance
- Tax preparation
- Depreciation of items with a useful life of more than one year
- Mortgage or rent\*
- Property taxes\*
- Utility payments\*
- Phone bill\*

\*These expenses must be deducted on a proportional basis depending upon how much of your home or apartment is used for your day care business.

### Calculating Depreciation

When you file your federal income taxes, you have options on how to deduct day care expenses on Schedule C and the tax forms for depreciation and amortization.

When items cost less than \$100 and are purchased or used exclusively for your day care business, the cost can be deducted in full on Schedule C. If the items are used for both business and personal purposes, the business expense that is deductible is based on the time-space formula.

Calculate depreciation on items used in your business that cost more than \$100 and last longer than 1 year. The IRS gives you the option of claiming the first \$10,000 of your business expenditures as a deductible expense. If you claim the expenses in 1 year, you cannot depreciate them in future years.

If the items are used both in your business and by your family, you must use the time-space formula when you calculate depreciation. Publications developed by **Resources for Child Caring**, and the IRS will provide you with guidelines to figure depreciation costs. Addresses for these groups are provided at the end of this fact sheet.

### Time-Space Formula

Family day care providers should understand the time-space formula. This formula will be used when you complete your Schedule C and *Depreciation and Amortization Federal Income Tax Forms*. Here is an example

of calculating the time-space formula of a home or apartment:

- a. Determine the amount of space used in family day care. Divide the amount of space (in rooms or square footage) used in day care by total space.

Divide: 7 rooms (used in family day care)  
by: 8 rooms (in home or apartment) = 87.5%

- b. Figure the amount of time your home or apartment is used for family day care. Divide the number of hours each week the house is used for family day care by the number of hours in the week.

Divide: 50 (10 hours x 5 days)  
by: 168 (24 hours x 7 days) = 29.7%

- c. Multiply the percentage of family day care use of space by the percentage of family day care hours.

$87.5\% \times 29.7\% = 26\%$

In the above example, 26 percent of household expenses can be claimed as family day care business deductions when computing the federal income tax form Schedule C and the depreciation and amortization forms.

### For More Information

Contact the Internal Revenue Service and request these tax forms and publications. Toll-free telephone numbers are in your telephone directory.

### IRS Forms:

1040	Basic personal tax return form
1040A	Itemized deductions and interest and dividend income
1040C	Profit or Loss from Business
1040ES	Self Employment Tax
1040SE	Social Security Self-Employment tax
4562	Depreciation

### IRS Publications:

#17	Your Federal Income Tax
#587	Business Use of Your Home
#534	Depreciation
#533	Self-Employment Tax
#572	Investment Credit

Write for the following recordkeeping and tax resource guides developed exclusively for family day care providers:

*Calendar Keeper*  
*Base Guide to Record Keeping and Taxes*  
*The Tax Workbook*

Resource for Child Caring  
906 N. Dale St.  
St. Paul, MN 55103  
(612) 488-7284

For further information or help with your home-based business questions, contact your local county Extension agent, or your regional Small Business Development Center and Small Business Administration office. The telephone numbers for these offices are listed in your telephone directory.

Adapted with permission from, *Family Day Care: Record Keeping #2* University of Massachusetts Cooperative Extension Service (Connie Bettis) by Rachel Albers-Diamond, Extension associate, The Texas A&M University System 1989.

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Issued in furtherance of Cooperative Extension Work in Agriculture and Home Economics, Acts of Congress of May 8, 1914, as amended, and June 30, 1914, in cooperation with the United States Department of Agriculture. Zerle L. Carpenter, Director, Texas Agricultural Extension Service, The Texas A&M University System.