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Supporting Home-based Child Care Providers with Tax Prep Resources

By Natalie Renew, Executive Director, Home Grown

Home-based child care (HBCC) is a critical part of the early care and education sector. Rebuilding a sustainable and equitable child care sector must include the well-being of the workforce. Quality is not possible when providers are stressed and stretched financially. Home-based child care business management and individual financial well-being are inextricable.

As a national collaborative of funders working to improving the quality of and access to home-based child care, **Home Grown** supports the development of tools and resources for business coaching that meet the financial goals of the provider around key issues such as savings, home ownership, debt consolidation, retirement planning, and tax preparation.

Effective tax preparation is one of the most critical ways home-based child care providers can maximize revenue and reduce their risks of audit. Legal and allowable tax deductions for businesses that operate out of private homes are numerous, but for HBCC providers—which use a significant amount of a home’s square footage—the deductions are substantial. Each deduction allows providers to reduce their tax burdens, thereby improving profitability.

For the second consecutive year, Home Grown has collaborated with **Civitas Strategies** and **Nielsen Training & Consulting** to issue a tax primer. Given the complex circumstances of providers in 2021 in terms of disrupted income alongside new grants, loans and relief funds, Home Grown hopes this guide can support providers in navigating these new tax dynamics.

Preparing for the 2021 Tax Season is a step-by-step document designed to answer key questions that a HBCC provider might have regarding this process, including: what is included in my tax form? how do I handle the grants, loans and other stimulus funds I received last year? how do I find a good tax preparer? and how do I choose an online tax program?

Gary Romano, CEO of Civitas Strategies, led the development of the tax preparation resource. “We found in our work on stimulus funding and supporting home-based child care providers during the pandemic that all too many had tax returns that were understating their expenses and increasing their risk of audit”, noted Gary. “We’re so glad that Home Grown is creating the opportunity for providers to be informed tax consumers.”

The document includes several helpful attachments including a mileage log, IRS forms, and a rubric for providers to use in assessing their draft tax returns in light of best practices for FCC federal tax returns. While designed for individual provider use, the tool can also be used by Shared Service Alliance and Staffed Family Child Care Network Hubs and other intermediary organizations to support providers in undertaking a successful 2021 tax preparation process.

[CLICK HERE for the Tax Prep Resource](#)



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