

START UP EXPENSE AND HOME INVENTORY WORKSHEET FOR FIRST-YEAR HOME CHILD CARE PROVIDERS

Step 1: Determine your official business start date. This is the date you started caring for children, or the date you were ready to care for children and actively promoting your business and looking for children to enroll.

Step 2: START UP EXPENSES

Add up the total of the items you purchased which meet the following conditions:

1. Item was purchased **before** your business start date (whether in the current tax year or in previous tax years)
2. Item was purchased to help you start your business (meaning that you would not have purchased this item if it had not been in anticipation of opening your business). Examples include: books, toys, equipment, supplies, advertising, licensing fees, training classes, etc.
3. Item cost less than \$2,500
4. Item was **not** used personally (non-business use) before your business start date

Note: DO NOT include here the costs for items used personally (non-business use) before your business start date, even if the purchase was to help you start your business. Use Step 4 below for those costs. For example, before your business start date, you spent \$300 on a swing set, in anticipation of starting your business. But before your business started, your own children used the swing set. The swing set goes in Step 4, not here in Step 2.

\$ _____ Total of Step 2 purchases – Start Up Expenses

Start Up Expenses up to \$5,000 will be deducted 100% in your first year of business. Start up expenses in excess of \$5,000 must be deducted over a period of 15 years. For example, start up expenses totaling \$8,000 for a business started in 2017 will be deducted as \$5,000 in 2017, and \$200 a year in 2018 through 2032 (\$8,000 minus \$5,000 = \$3,000 divided by 15 years = \$200 per year).

Step 3: DEPRECIABLE ASSETS

List below purchases which meet all the same conditions as Step 2, except that the item cost more than \$2,500

Description	Date of Purchase	Cost	Bus Use % (*)

* See Step 4 for an explanation of what to write in this column

Depreciable assets are deducted over a number of years (usually 5 to 7 years). For example, if you have 7-year depreciable assets totaling \$7,000 for a business started in 2017, they will be deducted as \$1,000 per year in 2017 through 2023.

Step 4:

HOME INVENTORY

List below purchases which meet the following conditions:

1. Item was purchased **before** your business start date (whether in the current tax year or in previous tax years)
2. Item was used personally (non-business use) before your business start date

This is commonly called your *Home Inventory*. It includes household items that you are using in your business, but that you/your family also use personally, such as furniture, tools, and appliances. It also includes items used 100% by your business, but were used personally **before** your business started, such as cribs or play equipment. These items will be depreciated, which means that you can claim the business-use amount over a period of 5 or 7 years (1/5th or 1/7th each year for 5 or 7 years).

If you invest the time in it, your home inventory can be very detailed, including items like decorations, pictures, window dressings, and home décor, if they are items that children and/or parents can see or are in rooms that are used by the daycare on a regular basis.

You do not need receipts for these items, but you will need to know the approximate cost when purchased, and the fair market value (**FMV**) of the item on your business start date. Fair market value means what the item would sell for at a garage sale or thrift store.

* You will also need to assign a business-use percentage to each item. You will write this percentage in the table below in the "Bus Use %" column. You have 1 of 3 choices for this column:

1. 100% business use – item is not used by you/your family at all (since your business start date)
2. T/S – item is used pretty equally by both your business and by you/your family. Most items will fall into this category, such as your refrigerator, washer/dryer, lawn mower, etc.
3. Actual business use % - item is used by both your business and by you/your family, but is mostly used by your business, such as a computer that is used 70% by your business and 30% by you/your family.

One last note about home inventory – it is a good idea to photograph or video these items and keep a copy of the photos and/or video in your tax files.

HOME INVENTORY				
Description	Year Purchased	Cost	FMV	Bus Use %

Continue table on additional page if needed.

