

2016 Tax Changes Affecting Family Child Care Providers

- * The standard mileage rate for 2016 \$.54 per business mile. For 2017 it is \$.535.
- * The standard meal allowance rate for 2016 is: \$1.32 breakfast, \$2.48 lunch/supper and \$.74 snack. Use this rates for all meals and snacks served in 2016 (including meals and snacks not reimbursed by the Food Program). You may deduct up to one breakfast, one lunch, one supper and three snacks per day, per child. The rate for 2017 is \$1.31 breakfast, \$2.46 lunch/supper and \$.73 snack.
- * Providers may deduct in one year (rather than depreciating) items they purchased in 2016 that cost less than \$2,500. Providers must include the following written statement with their tax return indicating they are electing this rule.

“Section 1.263(a)-1(f) De Minimis Safe Harbor Election

Your name _____

Your address _____

EIN or Social Security Number _____

For the year ending December 31, 2016 I am electing the de minimis safe harbor under Treas. Reg. Section 1.263(a)-1(f) for my business expenses of less than \$2,500.”

- * The 50% bonus depreciation rule has been extended to 2016. This rule allows providers who purchased new furniture, appliances, playground equipment, fences, patios, office equipment, and home improvement to deduct half of the normal depreciation in 2016.
- * The income limits to qualify for the IRS Saver’s Credit has increased to \$61,000 (adjusted gross income) for couples filing jointly and \$30,500 for individuals or married people filing separately.
- * The IRS has relaxed the rules defining what is a repair (deduct in one year) vs. a home improvement (depreciate over 39 years). Repairs may now include replacing a few windows or doors, installing a wood or tile floor and replacing roof shingles.
- * Under certain circumstances providers may be able to deduct fences/patios/driveways and home improvements in one year, rather than having to depreciate them.