

Food Program Benefits After Taxes: A Comparison for Tax Year 2010.

This example is based on the following assumptions:

8 full time day care children attending 50 weeks with a 95% attendance rate.

Average full time child care rate of \$130.00 per week.

Each child is claimed for breakfast, lunch and snack each day they are in attendance.

Children occasionally are served a meal for which there is no CACFP reimbursement.

2010 IRS tax tables were used for a single taxpayer (no dependents).

| | Provider 1 No CACFP | Provider 2 Tier I - CACFP | Provider 3 Tier II - CACFP |
|------------------------------------|------------------------|------------------------------|-------------------------------|
| Child Care Fees | 52,000 | 52,000 | 52,000 |
| Food Reimbursement | 0 | 7,724 | 3,715 |
| Gross Revenues | 52,000 | 59,724 | 55,715 |
| Other Business Expenses | 5,500 | 5,500 | 5,500 |
| Food Expenses | 9,016 | 9,016 | 9,016 |
| Total Expenses | 14,516 | 14,516 | 14,516 |
| Gross Profit | 37,484 | 45,208 | 41,199 |
| FICA Taxes (Employer & Employee) | 5,735 | 6,917 | 6,303 |
| Standard Deduction-Single | 3,500 | 3,500 | 3,500 |
| Taxable Income-Single | 28,249 | 34,791 | 31,395 |
| Federal taxes-Single | 3,815 | 4,875 | 4,288 |
| Income After Taxes-Single | \$24,434 | \$29,916 | \$27,107 |
| Additional spending \$\$\$ w/CACFP | | \$5,482 | \$2,673 |

Keep in mind that taxes will be even lower for married providers and providers with dependents, so the income differences would likely be even greater.

Thus, one can see that participating on the food program makes \$ense from a financial perspective because the provider participating with the food program ends up with substantially more income to spend even after the taxes are taken into account. You are required to keep meal records to justify your child care food expenses for tax purposes, so you might as well get the CACFP reimbursement for your recordkeeping efforts.