



Camp Fire West Michigan 4C

Tax Advantages of The Child and Adult Care Food Program

- Providers are always better off financially if they join the Food Program.
- Food Program reimbursements are taxable income (federal and state), except for reimbursements for a provider's own children (which are not taxable).
- The cost of all food served to day care children is tax deductible (whether or not it is reimbursable). Food is tax deductible whether or not the provider is on the Food Program.

	Tier I Food Program Payment	Tier II Food Program Payment	Not on Food Program
Parent Fees (4 children @ \$120/week ¹)	\$24,960	\$24,960	\$24,960
Food Program Reimbursements	+ 4,968 ²	+ 2,384 ³	+ 0
Total Income	29,928	27,344	24,960
Business Expenses	- 10,000	- 10,000	- 10,000
Food Expenses	- 4,000	- 4,000	- 4,000
Profit	15,928	13,344	10,960
Federal Taxes (37.4%*)	- 5,957	- 4,991	- 4,099
Cash on Hand at End of Year	\$ 9,971	\$ 8,353	\$ 6,861

Based on 2018 – 2019 reimbursement rates.

¹Data is provided by the State CCR&R Network and are derived from CCR&R data.

²Based on a reimbursement of \$18.00 per day, for four children @ one breakfast, one lunch & one snack per day for 23 days.

³Based on a reimbursement of \$8.64 per day, for four children @ one breakfast, one lunch & one snack per day for 23 days.

*Based on 25% federal income tax, plus 12.4% net social security tax.