

*Learn how to calculate what percentage of your home is used for business.*



## **Time/Space Calculation for Family Child Care Providers**

As a home-based family child care provider, many of your expenses are for both your business and your personal home use. So, how do you figure out how much of those joint expenses are considered business expenses? The answer is simpler than you may think.

Using the Time/Space Calculation, family child care providers can request reimbursement from the VA ARPA Child Care Stabilization Grant Program for common expenses incurred by in-home child care providers such as:

- Rent
- Mortgage
- Property Taxes
- Utilities
- Other housing expenses that are necessary for your in-home business, such as maintenance and repairs

In addition to being helpful for figuring out your spending for grant purposes, the Time/Space Calculation also determines the percentage of these expenses that you can deduct on your federal income taxes. If you already have your time/space percentage calculated from last year's taxes, you can use that.

If you have expenses that are solely dedicated to your business and have no elements of common use (e.g., a phone line that is only for the child care, the purchase of classroom furniture and supplies for the children, etc.) those expenses can be reimbursed at 100% of cost and are not subject to the time/space calculation.

### **How to Calculate Your Time/Space Percentage**

The Time/Space Calculation takes just a few simple steps to help you calculate the percentage of your home that is used for business. It considers the amount of time your home is used for business and the space within your home that is used for business.

Using the steps below, you can easily determine how much of certain expenses can be reimbursed with grant funds or be deducted on your federal income taxes.

## Step 1

**Determine the square footage of the area(s) in your home that you regularly use for your child care space.**

Regular use includes areas that may be used all day (such as classroom space) and areas that are regularly used for only part of the day (such as napping or mealtime areas). Any areas used regularly for business count toward your space calculation. Add the square footage of each of your regularly used spaces together to determine the area of your home that you use for your child care business.

To calculate square footage, you will first need to measure the length and width of your space.

- 1 Fix a tape measure to one end of the longest wall in your space and extend it to the other end
- 2 Record this measurement (in feet, not inches)
- 3 Next, fix a tape measure to one end of the shortest wall in your space and extend it to the other end
- 4 Record this measurement (in feet, not inches)
- 5 Next, multiply the length measurement by the width measurement to find your square footage:

$$\text{Length} \times \text{Width} = \text{Square Footage}$$

*For example, if your space is 13 feet long and 10 feet wide,  
your square footage would be 130 square feet.*

$$13 \text{ feet} \times 10 \text{ feet} = 130 \text{ square feet}$$

For oddly shaped spaces, such as rooms with an extra nook or filled by a closet, break your room into smaller rectangular blocks, use the square footage calculation for each block, and add the totals together.

## Step 2

**Divide the square footage of that space by the square footage of your home to determine a percentage.**

Take the number of square feet of the child care space and divide it by the total square footage of your home.

*For example, if you use 500 square feet of your home for child care space, and the home is 1,000 square feet, then the result is 0.50. Multiply that number by 100 to get the percentage: 50%.*

**Example Space Percentage = 50%**

It's important to note that the square footage for outdoor areas cannot be included in the time/space calculation. However, external spaces that are physically attached to the home that are regularly used for child care (i.e., a deck) *can* be included in your space calculation.

## Step 3

**Determine the amount of time your home was used for child care during the year.**

Calculate how many hours your in-home child care is open per week, including time you spend preparing and cleaning up when the children are not present. Multiply this number by the number of weeks you were open for service, and add any work hours you performed in the home while you were closed.

*For example, if your business is open 10 hours per day for child care, but you spend an hour beforehand preparing and an hour after cleaning up, that's 12 hours per day, five days per week.*

*Let's say you closed for two weeks due to the pandemic, but during that time, you spent 10 hours maintaining the child care space and preparing for re-opening.*

*Now, let's do the math:*

*12 hours per day x 5 days per week x 50 weeks open + 10 hours when you were closed = 3,010 hours.*

## Step 4

Divide the hours your home was used for child care by the total hours in a year.

*For example, let's divide the 3,010 hours calculated above by 8,760 (the total number of hours in a year). That gets us 0.344. Multiply that by 100 to get the percentage: 34.4%.*

**Example Time Percentage = 34.4%**

## Step 5

Multiply the percentage of the space used in your home by the percentage of time your home is used for business to determine what percent of your in-home expenses are for your business.

Take your two numbers (the square footage percentage and the hours per year percentage) and multiply them together.

*In our example, that'd be 50% (or 0.50) by 34.4% (or .0344).*

$$0.50 \times 0.344 = 0.172, \text{ or } 17.2\%$$

**Example Time/Space Percentage = 17.2%**

This is the percentage that you can apply to your joint home/business expenses for your in-home child care service for reimbursement with grant funds and even when filing deductions during your annual tax filing. When using your time/space calculation for tax purposes, providers are encouraged to review the [IRS Instructions for Form 8829, Expenses for Business Use of Your Home](#) or consult with your professional tax preparer.

## Assistance is Available

Please visit the [Virginia Early Childhood Foundation's ARPA webpage](#) with resources to help strengthen your business. Resources include easy-to-read written guides, webinars, recorded tutorials, and more.

Through business coaching, providers can receive tailored feedback on topics as they are scheduled. While coaching will not provide you with specific details pertaining to your tax situation nor financial advice, you may find that the strategies may empower you to be better informed for calculating what percentage of your home and time is used for business.

If you would like a deeper look into the strategies discussed in this guide or other business topics, please view the [coaching calendar](#) and register to join a small group coaching session.