

## Tab 5: Day Care Providers

Business Code for childcare providers:  
624410 Child day care services

[IRS Full List of Business Codes](#)

## Child and Adult Care Food Program CACFP Reimbursement Rates

<https://www.fns.usda.gov/cacfp/reimbursement-rates>

Rates are **adjusted annually each July**, as required by the statutes and regulations governing CACFP.

	<u>Breakfast</u>	<u>Lunch &amp; Supper</u>	<u>Snacks</u>
July 2015 - June 2016	1.32	2.48	0.74
July 2016 - June 2017	1.31	2.46	0.73
July 2017 - June 2018	1.31	2.46	0.73
July 2018 - June 2019	1.31	2.46	0.73
July 2019 - June 2020	1.33	2.49	0.74
July 2020 - June 2021	1.39	2.61	0.78
July 2021 - June 2022	1.40	2.63	0.78

## Unlicensed Daycare Providers - 2020 Filing Season Reporting Guide

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### BACKGROUND

Low-income parents receiving daycare assistance from the Michigan Department of Education (formerly from Michigan Department of Human Services) can choose to utilize a licensed care facility or, in many cases, choose a provider who is not licensed but is enrolled. The licensed facilities are businesses. The unlicensed providers have for several years been treated as independent contractors. If the unlicensed provider is not related by blood to the parent, the care must be provided in the parent's home, otherwise the care can be provided in the provider's home.

In the usual worker classification issue, individuals who were previously treated as employees are changed by the payer to independent contractors with no change in duties. In the situation in Michigan, unlicensed providers who were previously treated as independent contractors, which they agreed to when they signed on, are in some cases now being told they are employees with no change in duties.

Beginning July 1, 2013, the Michigan Department of Education started making payments to the parents of the children being cared for instead of directly to the unlicensed day care providers. For the first half of 2013, the providers received a Form 1099-MISC from the state. Since then, there is likely to be no reporting to IRS.

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### ISSUES

#### **For all parents:**

Amounts received from the Michigan Department of Education for payments to daycare providers are included in Total Household Resources. They are not included as income for income tax purposes.

#### **For all providers:**

We will need to determine the amounts actually paid by the parents to the providers in 2020. The provider and parent should each receive a statement that shows payments made by the state; however, it's possible that the provider received less or more than that amount from the parent.

#### **For care provided in the provider's home:**

These providers should continue as independent contractors. As in the past, there might be some issue regarding whether their activity rises to the level of self-employment; however, our position is that they should file Schedule C or Schedule C-EZ. If they don't agree, they should seek professional assistance.

#### **For care provided in the parent's home:**

Michigan Department of Education has stated that as of July 1, 2013, the provider became the employee of the parent. That is generally a technically correct statement; however, in our situation the provider has been likely treated by agreement as an independent contractor for several years. Their duties have not changed, only the person paying them. Also, employer-employee status is dependent on the amount of direction and control involved.

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## OUR SUGGESTIONS

Find out if the unlicensed daycare provider still consider themselves to be independent contractors in 2020. If so, prepare Schedule C or Schedule C-EZ consistent with past year's treatment.

If they believe they are the employee of the parent in 2020, ask them for a W-2 issued by the parent. If they did not receive one, they need to follow standard practice and call the IRS at 1-800-829-1040 after February 28, 2021, to report it. We will only prepare a Form 4852, Substitute for W-2, if they have done this. They need to bring a Form 4852 sent to them by IRS. This will document that the call was made.

Form 8919, Uncollected Social Security and Medicare Tax on Wages, should be prepared if the provider has filed, or will file, Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding, with IRS by April 15. Note: We can provide Form SS-8, but the taxpayer will need to complete it, because it is now Out of Scope for VITA work.

If they do not follow the above procedures, we cannot assist them.

*Note: Please be aware that we can no longer prepare a Schedule C claiming expenses for business use of home at any VITA tax site.*