



Help is on the Way!

Supporting Family Child Care to Prepare for Child Care Stabilization Grants

June 26, 2021

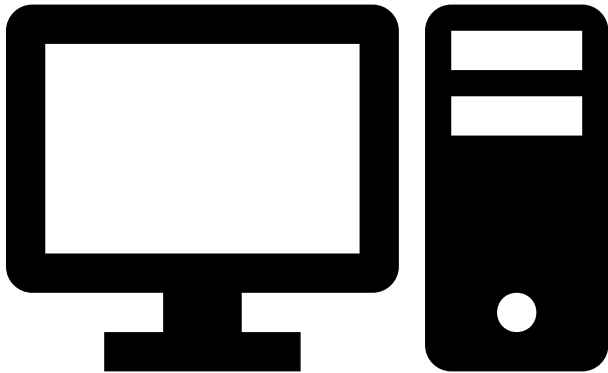
Quick Tip

If you can see the video, but **cannot hear the audio**, try this:

- Confirm a strong internet connection
- Confirm your computer speakers are on and the volume is turned up. Audio will come from your computer speakers.
- Refresh the webcast by selecting the 'Refresh' icon in your default browser or closing out and re-launching the webcast.



Quick Tip

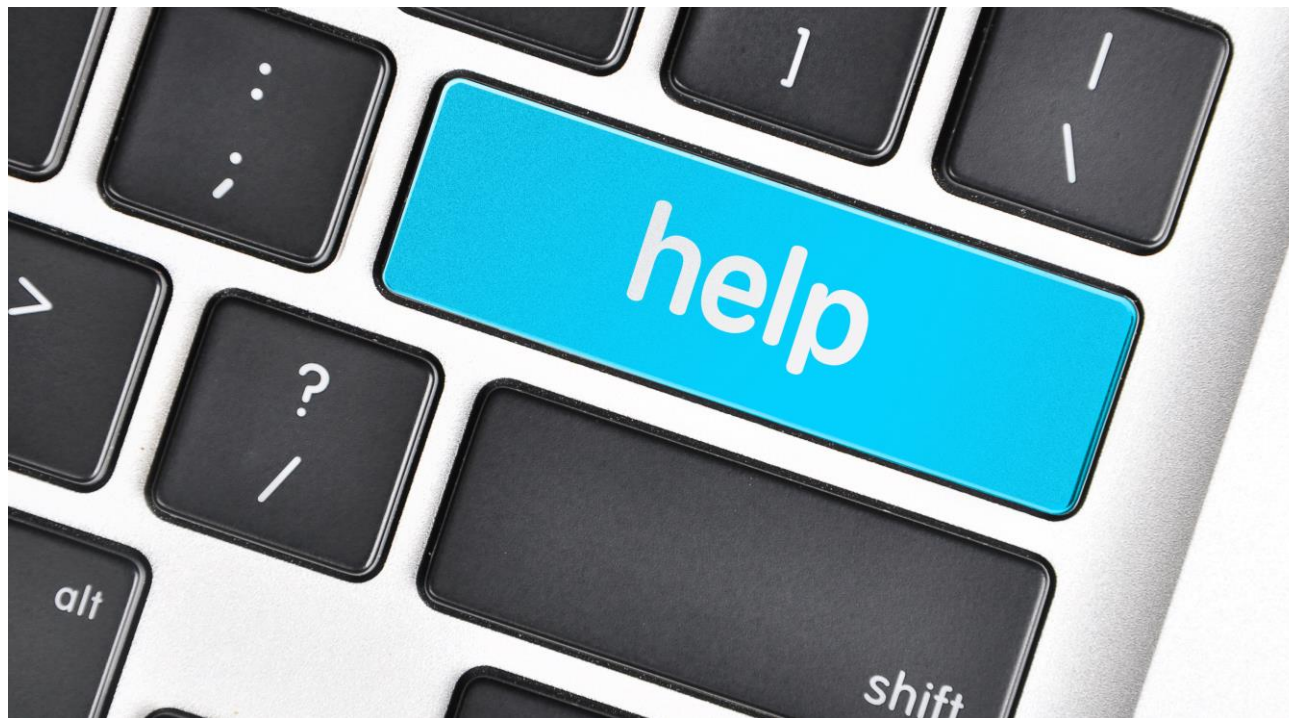


If you have audio, but **cannot see the video** or slides are not changing?

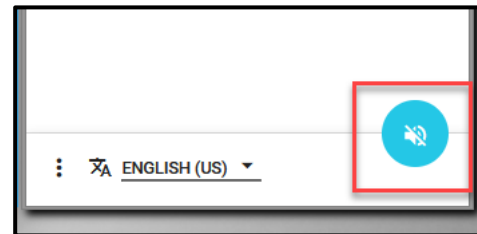
- Confirm you have a strong internet connection.
- Refresh the webcast by selecting the 'Refresh' icon in your default browser or closing out and re-launching the webcast.
- Close other browsers, browser windows and/or programs to conserve your bandwidth.
- If you are connected to a VPN, disconnect from the VPN.
- Edge Chromium, Firefox, and Chrome are the preferred browsers.

Still need technical help?

Type your issue in the chat and we will help you!



- Live closed-captioning has been enabled for this call. If you would like to turn on the live closed-captioning, then click the “attend” button in the Wordly panel.
- If you want Wordly to read the closed-captioning out loud to you, then click on the unmute button. Please note that this will cause overlap with the speaker’s voice.
- If you don’t want to use live closed-captioning, then click on the Wordly icon to hide it.





Welcome

Ellen Wheatley
Deputy Director, Office of Child Care



Our Agenda



WELCOME



WHAT YOU SHOULD
KNOW ABOUT
STABILIZATION GRANTS



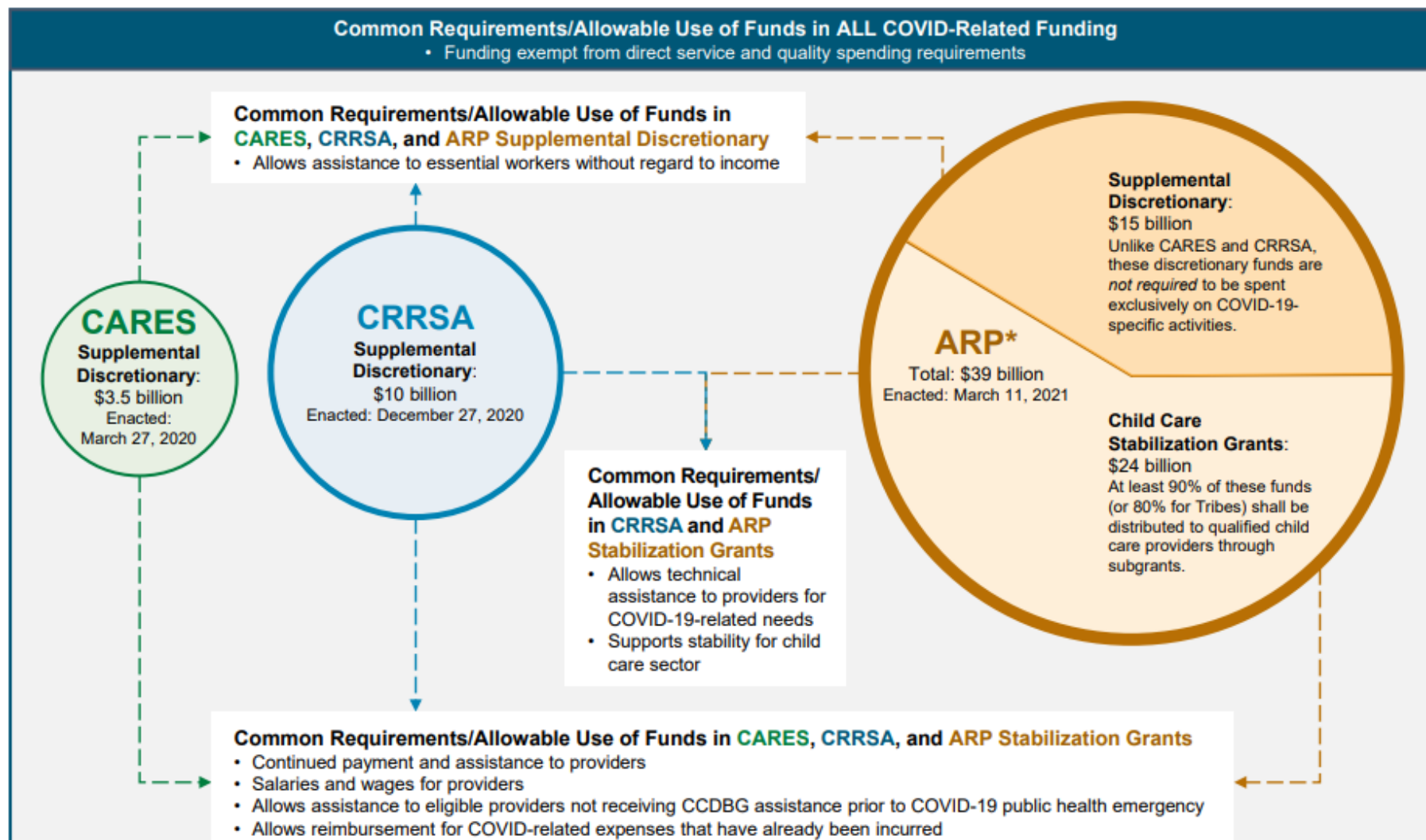
HELPING YOU PREPARE



RESOURCES

COVID-19 Funding Overview for States, Territories, and Tribes:

Common Requirements and Allowable Use of Funds in the Coronavirus Aid, Relief, and Economic Security (CARES) Act; Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act; and American Rescue Plan (ARP) Act



Stabilization funds

- States/territories/Tribes have until September 30, 2022 to obligate the stabilization funds.
- States/territories/Tribes have until September 30, 2023 to liquidate the funds.





First Children's Finance



Heidi Hagel-Braid
Chief Program Officer



- ▶ Author, trainer, family child care advocate since 1981
- ▶ No fee to answer your questions after today
- ▶ Email: tomcopeland@live.com
- ▶ Website: www.tomcopelandblog.com
- ▶ Facebook: www.facebook.com/tomcopelandblog

Disclaimer

- I am not rendering legal, tax, or other professional advice. If you require this type of assistance, please consult a professional to represent you.

Webinar Housekeeping

- Post your questions in Q&A
- If I can't answer all your questions, I'll post a Q&A article on my website
- This webinar is being recorded!
- A copy of this Power Point and the webinar recording will be posted on www.tomcopelandblog.com

Where Did These Grants Come From?

The American Rescue Plan was allocated 24 billion dollars for child care stabilization grants

- Each state/territory/Tribe has received money to distribute as grants to homes and centers
- Here's a link to find out how much money your state/territory/Tribe has received: [ARPA Supplemental Stabilization and CCDF Discretionary Funding Allocation Tables – States and Territories](#)
- These grants are in addition to previous grants you may have received from your state/territory/Tribe
- From now on, I will use the word “state” to include territories and Tribes

When Will These Grants Be Available?

Only a few states have started accepting applications for these new grants

- It may take several months, or longer, for states to open up this process
- Check in with your licensor or Child Care Resource and Referral (CCR&R) agency, or state child care office for news
- Your state may refer to this grant opportunity using other names besides child care stabilization grants

Grant vs. Loan

These grants are not a loan. You do not have to pay them back!

- You may have received loans from the Small Business Administration (SBA)
 - Paycheck Protection Program (PPP)
 - Economic Injury Disaster Loan (EIDL)
 - Forgivable loans, like the PPP, do not have to be paid back if used on eligible expenses
 - The EIDL is a loan that has to be paid back
- These new grants are separate from the SBA loans. You can receive both the PPP and EIDL and these new grants.

Who is Eligible to Receive These Grants?

- As a licensed, registered, or legally license-exempt family child care provider, you may be eligible.
- Your state will clarify these eligibility requirements on their grant application.

What Can These Grants Be Used For?

Each state has a lot of leeway in how grants can be used

- In general, they can be used for
 - Paying yourself
 - General operating expenses
 - Wages and benefits to employees
 - Rent
 - Utilities
 - Cleaning and sanitization supplies and services
 - Other goods and services necessary to maintain or resume child care services

What is “Paying Yourself”?

- The grant application may use words such as “wages and benefits”, “personnel costs”, “salary”, “compensation”, “premium or hazard pay”, or “staff bonuses”
- What does it mean to pay yourself? As a self-employed person, you aren’t writing checks to yourself because all money you earn is yours
- The grant application may ask you to write a check to yourself or transfer money from one bank account to another
- You may be able to use some or all of the money to pay yourself

Employees

- Employees are defined as those for whom you withhold and pay federal and state payroll taxes (Social Security, Medicare, unemployment taxes)
- Therefore, independent contractors and those you issue a Form 1099 to are not employees and can be furloughed

States Have Flexibility

- States may allow you to use the grants to pay yourself
 - If so, once you pay yourself you can use the rest of the money for whatever you want (business or personal expenses or savings)
- States may require that some of the money be used for employees
- States may target grants to providers who provide certain types of care, or may give grants to everyone
- States can allow grant money to be used for expenses incurred before the grant application

What Can the Grants Not Be Used For?

- Grants cannot be used for construction or major renovations
 - This would likely include fence, patio, deck, kitchen or basement remodeling
 - Maintenance and minor renovations are allowable
- Check your state's grant application to learn specifically what is allowed and not allowed

How to Apply for the Grants?

Each state will set up an application process for you to apply for these grants

- Your state may accept grant applications directly, or they may designate an organization (such as your Child Care Resource & Referral Agency – CCR&R) to administer this program
- Not all states have announced that these grants are available yet
- Watch for an announcement from your CCR&R agency, your licensor or your state child care subsidy agency

Grants, SBA Loans and Unemployment

You can receive these new grants in addition to previous grants you may have received from your state

- You can receive these grants in addition to subsidy payments and CACFP reimbursements
- You can receive these grants in addition to money you may have received from the SBA Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL) program
- If you are receiving unemployment benefits, receiving these grants may or may not impact your eligibility to continue to receive unemployment benefits NOTE: Check with your state unemployment office for further information

Should I Apply for the Grant?

In almost every situation you want to get a grant!

- The only time you may not want a grant is if you would no longer be eligible for health insurance tax credits or your child may no longer be eligible for college scholarships. With these exceptions, you will always be better off financially by receiving a grant
- This is not a loan. You do not have to pay back the grant. It's yours to keep.
- Therefore, apply for a grant when it becomes available in your state!

Tax Implications of a Grant

You must report the grant you receive as taxable income on your 2021 federal tax return

- You will pay the following taxes on your grant income:
 - 15% Social Security/Medicare taxes
 - 10-21% Federal income tax
 - ? State income tax
 - Total: approximately 30-40% in taxes
- Note: Your state may or may not require you to pay state income taxes on this grant money

Example #1: You Pay Yourself with the Grant

You receive a \$5,000 grant

- You use the grant money to pay yourself \$5,000
- You will pay approximately \$1,500 (30% tax rate) to \$2,000 (40% tax rate) in taxes
- \$5,000 income - \$1,500 taxes = \$3,500 left in your pocket
- \$5,000 income - \$2,000 taxes = \$3,000 left in your pocket

Example #2: You Buy items Used Exclusively for Your Business

You receive a \$5,000 grant

- You spend \$5,000 on items used exclusively for your business:
 - Food, toys, employee wages, COVID-19 supplies, children's furniture and equipment
- \$5,000 income - \$5,000 expenses = \$0 taxable income = \$0 taxes

Example #3: You Buy Items Used by Your Business and Family

You receive a \$5,000 grant

- You spend it on items used by your business and your family
 - Shared toys, computer, television, swing set
- You can only use the grant money on the business portion of these items
- The business portion is your Time-Space %. Let's say it's 30%
- To use all the \$5,000 grant on these shared items, you would have to show that you spent a total of \$16,700 ($\$16,700 \times 30\% = \$5,010$)
- $\$5,000 \text{ income} - \$5,010 \text{ business expense} = \$10 \text{ net expense, no taxes}$

The Time-Space Percentage

The Time-Space % is a formula that is used to determine how much you can deduct of expenses that are used by both your business and your family

- The Time-Space % formula:
 - Time % = Number of hours you use your home for business activities, divided by the total number of hours in the year
 - Space % = Number of square feet used on a regular basis in your home, divided by the total square feet of your home
- Time % x Space % = Time-Space %
- This is shown on IRS Form 8829 Expenses for Business Use of Your Home, Part I

More on Example #3

You may not be able to show you spent all of your grant income on items that are used by your business and your family

- You spend \$3,000 of grant money on business/personal items ($\$10,000 \times 30\% \text{ Time-Space\%} = \$3,000$)
- You “pay yourself” the remaining \$2,000
- $\$5,000 \text{ income} - \$3,000 \text{ business expense} = \$2,000 \text{ taxable income}$
- $\$2,000 \text{ taxable income} = \$600 - \$800 \text{ taxes}$
- \$1,200- \$1,400 left in your pocket

Example #4: You Use Grant Money on Items You Normally Purchase

You receive a \$5,000 grant

- You use the grant money on regular household expenses
- Examples: utilities, rent, house insurance, kitchen supplies, cleaning supplies
- Because you were already spending this money, you have the same business deduction before and after you received the grant
- Therefore, the \$5,000 is taxable income
- After taxes (30-40%) you will have \$3,000-\$3,500 left in your pocket

Pay Yourself or Buy Items?

Which is better financially: paying yourself or buying items with the grant money?

- If you pay yourself, you will pay taxes on the full amount of the grant
 - $\$5,000 - \$0 \text{ business expenses} = \$5,000 \text{ taxable income}$
 - You will have \$3,500 in pocket after taxes (30% tax rate)
- If you spend \$1,000 on business items, you will have \$2,800 in your pocket after taxes ($\$5,000 - \$1,000 = \$4,000 \text{ taxable income} \times 30\% \text{ tax rate} = \$1,200 \text{ taxes}$)
- If you spend it all on items used in your business, you will not pay any taxes
 - $\$5,000 - \$5,000 \text{ business expenses} = \0 taxable income
 - You will have \$0 in your pocket after taxes

Decisions About Spending Money

- If you need the grant money to buy items for your business, go ahead
- Don't spend money on your business just because you have the grant money to do so
- It's always financially better not to spend money on your business than to spend money on your business
- If you pay some or all of the grant money to yourself, you can then spend it on whatever you want
 - Build a fence, make a home improvement, buy clothes for yourself, take a vacation, save for retirement

Tax Planning

If you do decide to pay yourself with some or all of the grant money, you will pay more in taxes

- You may need to increase estimated taxes for the quarter(s) you receive grant money
 - If so, plan ahead by setting aside 30-40% of the money you pay yourself for federal and state taxes
- It's possible your tax rate will be below 30%, depending on your family's circumstances
 - You will always owe 15% in Social Security and Medicare taxes
 - But you may owe little, if any, federal or state income taxes
 - Therefore, at a minimum, set aside at least 15% for taxes on grant money used to pay yourself

Tracking Monthly Expenses

The grant application may ask you to report your average monthly operating expenses

- Normally, family child care providers don't track expenses monthly
- If you use the KidKare online software program (www.kidkare.com) or the Redleaf Calendar Keeper (www.redleafpress.org), you can easily identify your monthly expenses
- You can also track monthly expenses using your checkbook and credit card statements
- Your state will give directions on what records they want you to keep and how to keep them

Schedule C

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Profit or Loss From Business

(Sole Proprietorship)

Go to www.irs.gov/ScheduleC for instructions and the latest information.

Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.

OMB No. 1545-0044

2020
Attachment
Sequence No. 09

Name of proprietor

Social security number (SSN)

A Principal business or profession, including product or service (see instructions)

B Enter code from instructions

C Business name. If no separate business name, leave blank.

D Employer ID number (EIN) (see instructions)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) **G**

Did you "materially participate" in the operation of this business during 2020? If "No," see instructions for limit on losses ☐ Yes ☐ No

H If you started or acquired this business during 2020, check here ☐

I Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions ☐ Yes ☐ No

J If "Yes," did you or will you file required Form(s) 1099? ☐ Yes ☐ No

Part I Income

1 Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/>	1
2 Returns and allowances	2
3 Subtract line 2 from line 1	3
4 Cost of goods sold (from line 42)	4
5 Gross profit. Subtract line 4 from line 3	5
6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6
7 Gross income. Add lines 5 and 6	7

Part II Expenses. Enter expenses for business use of your home only on line 30.

8 Advertising	8	18 Office expense (see instructions)	18
9 Car and truck expenses (see instructions)	9	19 Pension and profit-sharing plans	19
10 Commissions and fees	10	20 Rent or lease (see instructions):	
11 Contract labor (see instructions)	11	a Vehicles, machinery, and equipment	20a
12 Depletion	12	b Other business property	20b
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	21 Repairs and maintenance	21
14 Employee benefit programs (other than on line 19)	14	22 Supplies (not included in Part III)	22
15 Insurance (other than health)	15	23 Taxes and licenses	23
16 Interest (see instructions):		24 Travel and meals:	
a Mortgage (paid to banks, etc.)	16a	a Travel	24a
b Other	16b	b Deductible meals (see instructions)	24b
17 Legal and professional services	17	25 Utilities	25
28 Total expenses before expenses for business use of home. Add lines 8 through 27a	28	26 Wages (less employment credits)	26
29 Tentative profit or (loss). Subtract line 28 from line 7	29	27a Other expenses (from line 48)	27a
30 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. Simplified method filers only: Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30	b Reserved for future use	27b
31 Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3. • If a loss, you must go to line 32.	31		
32 If you have a loss, check the box that describes your investment in this activity. See instructions. • If you checked 32a, enter the loss on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on Form 1041, line 3. • If you checked 32b, you must attach Form 6198. Your loss may be limited.		32a <input type="checkbox"/> All investment is at risk. 32b <input type="checkbox"/> Some investment is not at risk.	

For Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 11334P

Schedule C (Form 1040) 2020

General Tax Rules: What Can You Deduct?

You are entitled to deduct expenses that are “ordinary and necessary” in your business

- Ordinary and necessary means: typical, helpful, appropriate, useful, or common in your business
- This means you can deduct the business portion of most household items: pots and pans, furniture, appliances, pictures on the wall, bedding, lawn mower, garden hose, new windows, deck, carpeting, etc.
- You can deduct anything that is needed to clean, repair, or maintain your home
- Note: This grant money may not be used for home improvements or major remodeling

Save Receipts

Because you can deduct practically anything associated with your home, save receipts for everything you buy!

- For every \$100 of business receipts you claim on your taxes, you will save approximately \$30-\$40 in taxes!
- Your state may require you to submit receipts for items you purchase with the grant.
- IRS rules require you to save all business records for at least 3 years after filing your taxes. Save them for 4 years to be safe.

Updated Information

- Information Memorandum on Office of Child Care Stabilization Grants:
<https://www.acf.hhs.gov/sites/default/files/documents/occ/CCDF-ACF-IM-2021-02.pdf>
- The Office of Child Care may issue new guidance or FAQ about these grants
 - I will post any new information on my website: www.tomcopelandblog.com
- Your state may update information about the grant application process
 - Contact your local CCR&R agency for the latest information

Final Word

The stabilization grants are a tremendous benefit to the family child care field!

- They can help providers stay in business and improve the quality of their program

Don't hesitate to apply for these grants! They will benefit you financially!

Contact Tom

•Email: tomcopeland@live.com


Blog: www.tomcopelandblog.com


Facebook:
www.facebook.com/tomcopelandblog


Good Luck!





Where can I find information about stabilization grants available to me?

[COVID-19](#)[FIND CHILD CARE](#)[SEE YOUR STATE'S RESOURCES](#)[LEARN MORE](#)

LANGUAGES ▾

 **FIND FREE CHILD CARE TO GET YOUR VACCINATION**

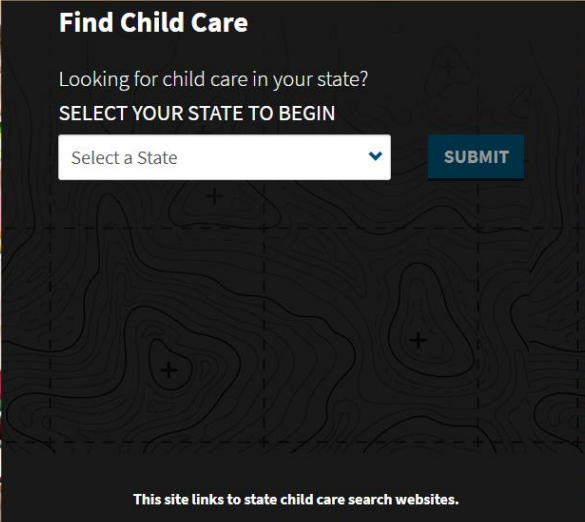


Find Child Care








Looking for child care in your state?
SELECT YOUR STATE TO BEGIN

▾


SUBMIT



This site links to state child care search websites.




LEARN MORE



Paying for Child Care


How to find help to pay for child care.



Choosing Quality Child Care

What does a quality child care program look like in your State? Start here to learn more about quality rating and improvement systems (QRIS).

Navigate to childcare.gov COVID-19 resources




COVID-19

FIND CHILD CARE

SEE YOUR STATE'S RESOURCES

LEARN MORE

LANGUAGES 

Find Your State or Territory COVID-19 Resources

States and territories have developed child care-specific COVID-19 guidance and resources for families and child care providers. Select from the options below to find the appropriate COVID-19 resources in your state or territory.

FAMILIES:
State and Territory COVID-19
Resources

CHILD CARE PROVIDERS:
State and Territory COVID-19
Resources


National COVID-19 Resources

Child Care Stabilization Grants



The American Rescue Plan Act of 2021 (ARPA) (Pub. Law 117-2), signed on March 11, 2021, included nearly \$24 billion in Child Care Stabilization Grants to be allocated to states, territories, and Tribes. The goal of the child care stabilization grants is to provide rapid financial relief to child care providers to help them pay for unexpected business costs they faced as a result of the COVID-19 pandemic. By providing much needed economic relief to child care providers, this funding will help them stay open so that that they may continue to serve working families.

To learn more about which child care providers are eligible, how to apply, and how funds can be used in your state, territory, or Tribe, visit the [Child Care Providers: State and Territory COVID-19 Resources](#) page.

Childcare.gov is the place to go to find information about your state/territory application process.



[COVID-19](#)
[FIND CHILD CARE](#)
[SEE YOUR STATE'S RESOURCES](#)
[LEARN MORE](#)


[LANGUAGES](#)



COVID-19 information	CO Department of Public Health and Environment Guidance CO Department of Public Health & Environment COVID-19 Vaccine Information
COVID-19 Information for Providers	CO Division of Early Care and Learning: COVID-19 FAQ Colorado Shines: Information for Child Care Providers CO Child Care Facility Operations Guidance CO COVID-19 Child Care Relief Programs

[Back to States and Territories List](#)

Connecticut	
COVID-19 Information	Connecticut COVID-19 Information CT COVID-19 Vaccine Information
COVID-19 Information for Providers	CT Office of Early Childhood: COVID-19 Child Care Provider Resources CT COVID-19 Guidance for Providers CT COVID-19 Vaccine Information: Child Care and Youth Camp Professionals and Staff CT Office of Early Childhood Financial Resources and Support for Providers
Child Care Stabilization Grant Information	CT Child Care Stabilization Grant Information

Child Care Stabilization Grant Information

 [View COVID-19 resources for CCDF Lead Agencies, providers, and families. Learn about provider eligibility for the COVID-19 vaccination.](#)

 U.S. Department of Health & Human Services  Administration for Children & Families  [Office of Child Care \(return to main site\)](#)  [Office of Child Care \(TA Network\)](#)

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[Home](#) > Child Care Stabilization Grants

Child Care Stabilization Grants

The [American Rescue Plan Act of 2021](#) (ARP Act) (Pub. Law 117-2), signed on March 11, 2021, includes \$23.97 billion for child care stabilization grants to be allocated to states, territories, and Tribes based on the current Child Care and Development Block Grant (CCDBG) formula.

The goal of the child care stabilization grants is to provide financial relief to child care providers to help defray unexpected business costs associated with the pandemic, and to help stabilize their operations so that they may continue to provide care. Child care providers may use subgrants to cover a range of expenses such as personnel costs; rent or mortgage payments; insurance; facility maintenance and improvements; personal protective equipment (PPE) and COVID-related supplies; training and professional development related to health and safety practices; goods and services needed to resume providing care; mental health supports for children and early educators; and reimbursement of costs associated with the current public health emergency.

More information is available from the [White House American Rescue Plan Funding Fact Sheet](#).

[View Additional Policy Resources on the Office of Child Care site](#)

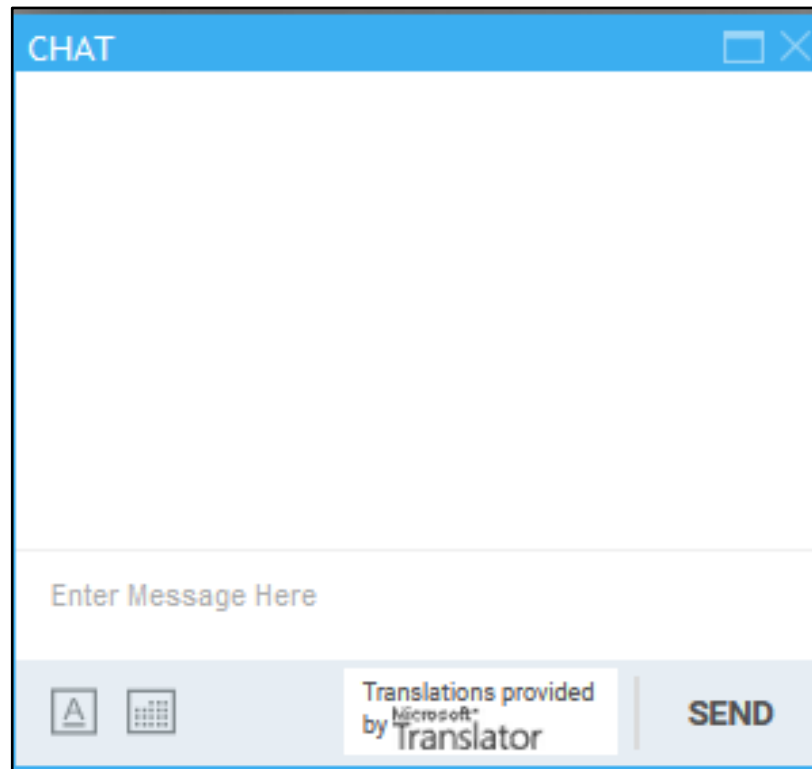
 **Child Care Stabilization Grants** Help is on the way

Helpful Resources

- [Childcare.gov](https://childcare.gov)
 - [Childcare.gov COVID-19 Provider Resources](https://childcare.gov/covid-19/provider-resources)
- [Child Care Stabilization Grant Information](#)
- [Overview of ARP Act Child Care Stabilization Guidance \(hhs.gov\)](#)
- Regular updates on Tom Copeland's website: www.tomcopelandblog.com

What additional comments do you have?

- Let us know! Please enter your comments in the chat!



A screenshot of a web chat interface. The window has a blue header bar with the word "CHAT" on the left and a close button (X) on the right. The main area is a large white rectangle for messages. At the bottom, there is a light blue input bar. On the left of this bar is a placeholder text "Enter Message Here". To the right of the input field are two small icons: a speech bubble and a grid. Further right is a white box containing the text "Translations provided by Microsoft Translator". To the right of this box is a blue button with the word "SEND" in white capital letters.

Thank you for all you do!



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Early Childhood Quality Assurance**

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ADMINISTRATION FOR
CHILDREN & FAMILIES