

After Tax Impact of Food Program Participation

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.

How much will a provider "earn" (after taxes) for being on the Food Program for each child in a year?

	Gross Income	After Tax Income if in 12% Tax Bracket	After Tax Income if in 22% Tax Bracket
If a provider is not on Food Program and then joins at the Tier II level	\$595	\$452	\$393
If a provider is not on Food Program and then joins at the Tier I level	\$1,243	\$945	\$820

Example: A provider in the 22% tax bracket with four child care children who joins the Food Program at the Tier II level can expect to take home, after taxes, \$1,572 ($\393×4) in the first year.

Note: The above numbers are based on serving a breakfast, lunch and snack each day for a year (July 2020-June 2021 reimbursement rate). The 12% tax bracket (2020) is for families who earn less than \$80,250 (married) or \$40,125 (single). The 22% tax bracket is for families who earn more than these amounts. The taxes in the 12% bracket are: 12% federal income tax plus 12% net social security tax. The taxes in the 22% bracket are: 22% federal income tax plus 12% net social security tax. There may also be state income taxes that are not included in these numbers.

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