

Common Objections to the Food Program

The two most common objections to the Food Program are:

- Joining the Food Program will put me in a higher tax bracket and therefore I will be worse off financially.
- It is not worth it to be on the Food Program because of all the extra record keeping I will have to do.

Tax Brackets

If a provider's Food Program reimbursements push the provider into a higher tax bracket, the provider will only pay the higher tax rate on the reimbursements in the higher bracket. All other money earned by the provider's family will remain taxed at the lower tax rate.

For example, if a provider is married and filing jointing, she will pay 10% federal income tax on the first \$19,750 of taxable income (2020 rates). She will pay 12% tax on her income between \$19,751 and \$80,250, and 22% tax on her income between \$80,251 and \$171,050.

If the provider's family earned \$77,250 before joining the Food Program and gets \$5,000 from the Food Program, she will pay 10% tax on the first \$3,000 of the Food Program reimbursements, and 12% tax on the last \$2,000 of the reimbursement. The original \$77,250 will still be taxed at the 10%/12% rate, not the 12% rate.

Record Keeping

All providers, whether or not they are on the Food Program, should save the following records to protect themselves in an audit:

- Attendance records
- Meal counts (including records of un-reimbursed meals)

A provider on the Food Program must save these records as a requirement of being on the Food Program. If a provider loses attendance records or meal counts she can ask her Food Program sponsor for a copy. (The sponsor may charge a fee to find and copy such records.) The sponsor must maintain these records for three years. The IRS can audit back only three years (unless there is fraud or a significant underreporting of income).

A provider who is not on the Food Program must still save the same records for her tax records. Therefore, a provider who is reluctant to join the Food Program because of the record keeping requirements should realize that she will have to do much of the same record keeping on her own. Without the discipline of having to turn in monthly reports, providers not on the Food Program are less likely to keep adequate records and are more likely to run into trouble in the event of an IRS audit.

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