

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 15% Tax Bracket	After Tax Income if in 25% Tax Bracket
If a provider is not on Food Program and then joins at the Tier II level	\$567	\$414	\$357
If a provider is not on Food Program and then joins at the Tier I level	\$1,180	\$861	\$743

Example: A provider in the 25% tax bracket with four day care children who joins the Food Program at the Tier II level can expect to take home, after taxes, \$1,428 ($\357×4) in the first year.

Note: The above numbers are based on serving a breakfast, lunch and snack each day for a year (2015-2016 reimbursement rate). The 15% tax bracket (2015) is for families who earn less than \$74,900 (married) or \$37,450 (single). The 25% tax bracket is for families who earn more than these amounts. The taxes in the 15% bracket are: 15% federal income tax and 12% net social security tax. The taxes in the 25% bracket are: 25% federal income tax and 12% net social security tax. There also may be state income taxes that are not included in these numbers.

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