



## The Basics of Record Keeping

### Income

- Track business and personal deposits into all bank accounts
- Get receipts signed by parents at end of the year

### Expenses

- General Record Keeping Rules
  - Keeping good records will save you money
  - Save records for at least three years
- Three Step Process for Claiming Deductions
  - **One:** Is it deductible?
    - It is if it's "ordinary and necessary" for your business
    - Must keep "adequate records" to support deduction
  - **Two:** How much is deductible?
    - 100% Business
    - Shared (business and personal): use Time-Space Percentage
  - **Three:** When can I deduct it?
    - Less than \$2,500: one year
    - More than \$2,500: may deduct in one year, except for a home, home improvement or a home addition

### Three Key Record Keeping Tips

- Save receipts for all expenses associated with your house
- Keep records of all meals and snacks served (including non-reimbursed meals and snacks)
- Track all the hours you work in your home. (particularly the hours when children are not present and you are cleaning, activity preparation, meal preparation, record keeping, etc.)

\*Dollar amounts may change yearly. Please check the website below for more information.

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