Tax Tips: FCC Providers & Federal Taxes

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The Heidelberg Tax Center is committed to the complete and accurate filing of the community's taxes. Tax Assistance on private business activities is outside the scope of the United States Army Legal Assistance program, with the exception of Family Child Care (FCC) providers. Due to the many steps involved, an FCC provider's tax return preparation requires a more in-depth appointment time. Our personnel are specially trained to handle this issue. We highly encourage each community to use their local tax center for its expertise and free services.

What is an FCC Provider? Family Child Care providers are self employed adults over the age of 21 who care for children and are certified by Child Development Services through the Family Child Care Office from each respective community. Family Child Care is in-home care provided by an adult family member occupying government quarters.

Family Child Care Providers are self employed and while living OCONUS they must complete additional forms than their CONUS counterparts. Listed below are some common forms needed when filing a federal tax return:

Certificate of Coverage (Form SSA-4121-W GER (7-90)) The certificate of coverage is received after an application (Bundesversicherungsanstalt für Angestellte) is sent to Berlin. In accordance with the agreement between United States of America and Federal Republic of Germany on social security, Americans who are self employed in Germany are "mandatorily covered" under the German social legislation. FCC Providers cannot apply for German Social Security coverage until the end of the first calendar year in which they are self employed. Therefore, an FCC Provider who starts providing child care services in May does not need to wait until the following May to apply. As a general rule, FCC providers should request the certificate of coverage as early as 1 January each year. The certificate of coverage must be updated each year.

Schedule C Schedule C 'Profit or Loss from Business Form' – Please have this form filled out completely before arriving to your appointment at the tax center. On this form you are able to list all of the items that you purchased for your child care business and services. The tax center has a list of the most commonly deducted business expenses.

EIN Online Application Apply for your Employer Identification Number (EIN) online at the IRS.gov website. The EIN is an employer number that is given to the parents instead of the FCC Providers Social Security Number. For identity theft

reasons the EIN can serve as a safe way to report your child care business income and list of finance documents.

Form W-10 The W-10 provides the parent with the FCC providers name, address, and taxpayer identification number (either SSN or EIN) and FCC provider's signature. Rather than use a W-10 it is quite common for FCC Providers to supply a statement to the parents that includes their identification number (EIN or SSN), total amount paid, date the child was enrolled in the home, and original signature. This type of statement can prevent providers and parents from reporting different dollar amounts to the IRS. Both documents are kept in your personal records in the event of an audit.

Form 2555. This form allows FCC providers to avoid paying federal taxes as long as their income does not exceed $87,600. An inquiry must still be made regarding potential state tax liability. FCC providers receive most of the information above and examples of each form while in-processing into the FCC Program. If you have any questions or need an example of the forms discussed please contact the Tax Center or the Heidelberg FCC Director, Ms. Merenda Haynes at DSN 388-9371.

Tax season is only weeks away. Start gathering the following documents for your return: W-2, 1099, Social Security Cards or ITIN and picture ID. Additional documents you may need to bring, if applicable: Economic Stimulus Dollar Amount, Child Care Provider's Information and Child Care Costs, Rental Property, Mortgage Interest Statements and 2007 tax return. If married filing jointly both tax filer and spouse must be present to file the tax return. If one spouse can not be present, then he/she will need to visit the legal assistance office to acquire a power of attorney.

The Heidelberg Tax Center opens for the 2008 Tax Season at 0900 on 02 February. We encourage the members of our community to take advantage of our free services. Please make an appointment in person or by phone beginning 0900 on 26 January. All forms and instruction books are available at www.irs.gov. Please call DSN 370-7510 or CIV 06221-57-7510 for an appointment.