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Introduction

The *Family Child Care Inventory-Keeper* is an easy-to-use log that enables family child care providers to track the furniture, appliances, and other items they use in their businesses. Once you identify these items, you can reduce your taxes by depreciating them as business expenses. By filling out the *Inventory-Keeper*, you will have all the information needed to claim depreciation deductions for such items as a washer, dryer, computer, television, VCR, refrigerator, stove, freezer, bed, sofa, lawn mower, microwave, swing set, and so on. You can use the *Inventory-Keeper* to claim depreciation deductions for furniture and appliances that you purchased years before your business began, as well as for items you bought after your business began. The *Inventory-Keeper* can help you identify many deductions that you may have otherwise missed.

Doubles as an Insurance Record

The *Inventory-Keeper* can also be used for insurance purposes if any of your items are ever stolen or destroyed. There is even a section where you can list items that are strictly personal. The *Inventory-Keeper* can track it all.

Useful to Whoever Does Your Taxes

The *Inventory-Keeper* can help you save money whether or not you use a tax preparer. You can give a copy of the filled-out *Inventory-Keeper* to your tax preparer, who will calculate your depreciation deductions for your tax return. Using the *Inventory-Keeper* will save you and your tax preparer time and effort. If you do your own taxes, you can calculate your depreciation deductions with the help of the step-by-step instructions in the latest edition of the *Family Child Care Tax Workbook*, by Tom Copeland. Either way, using the *Inventory-Keeper* can help significantly reduce your taxes.

Claiming Depreciation on Your Property is a Simple Five-Step Process

Step One: Go through your home, identify the items you are using in your business, and enter each item in the *Inventory-Keeper*.

Step Two: Use the information from the *Inventory-Keeper* to claim business deductions on your tax return.

Step Three: Take photographs of the items listed in the *Inventory-Keeper*.

Step Four: Put the photographs and the *Inventory-Keeper* into the enclosed envelope and store it in a safe place away from your home.

Step Five: Update the *Inventory-Keeper* each year by recording when new items are purchased and when old items are sold, given away, or worn out.

Disclaimer: Tax laws are in a constant state of change. This publication is based on tax laws in effect in July 1999 and is sold with the understanding that Redleaf Press and the author are not engaged in rendering legal, accounting, or other professional services. If you require expert tax assistance, obtain the services of a qualified professional.

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How to Value Your Items

Take pictures of all the items you entered in the *Inventory-Keeper*. This will help support your estimate of its fair market value. For each item, do your best to determine a reasonable estimate of its fair market value at the time it was first used in your business. Use the lesser of how much a friend or neighbor would pay you for it or the actual cost to you. Do not use a replacement cost or the original purchase price if the item is more than a year old. There is no IRS-approved method to calculate this. As long as you make a reasonable determination of an item's value, you should not be challenged by the IRS. Here are some tips you can use to determine the fair market value of items:

- If you have the original receipt (or canceled check or credit card statement) or know the original cost for an item, you may want to reduce the original cost by $\frac{1}{7}$ for each year that you have owned it (reduce by $\frac{1}{7}$ for each year for a computer or printer). For example, if you bought a sofa for \$1,000 in 1995 and started using it for your business at the start of 1998, you might estimate its fair market value at \$570 ($\$1,000 - [\$1,000 / 7 \times 3] = \570). Look at the condition of your property to see if this is a reasonable estimate. Remember, you must use the lesser of the fair market value of the item, at the time you use it for your business, or its original cost. If you've owned an item for more than seven years, use perhaps 5 to 10% of the original price.
- Take pictures of your items to a local used furniture store and ask a salesperson what your items would have been worth when you started using them in your business.
- Estimate what an item would be worth if you tried to sell it at a garage sale.

- Look in the newspaper for the prices of similar items in thrifty want ads.
- Visit a thrift store in your area and base your valuations on their prices of similar items.
- Use the valuations from the booklet “Cash for Your Used Clothing” (Client Valuation Service, 800-875-5927). This booklet can also be used to estimate the value of clothing and other items given to charitable organizations.