# Rev. Proc. 2003–22

## SECTION 1. PURPOSE

This revenue procedure provides taxpayers engaged in the trade or business of providing family day care with optional standard meal and snack rates to use in computing the deductible cost of food provided to eligible children receiving care from family day care providers.

## SECTION 2. BACKGROUND

.01 Section 162(a) of the Internal Revenue Code allows a deduction for ordinary and necessary expenses paid or incurred during the taxable year in carrying on a trade or business. Under this section, family day care providers may deduct the cost of food provided to eligible children in the family day care. For family day care providers who receive reimbursements from a sponsor under the Child and Adult Care Food Program (CACFP) of the Department of Agriculture, only the portion of the cost of food, if any, that exceeds the reimbursements is deductible. Under § 262, however, no portion of the cost of food provided to the family day care provider's family, including food consumed by the provider or the provider's own children, is deductible.

.02 Section 6001 provides that every person liable for federal income tax shall keep such records and comply with such rules as the Commissioner of Internal Revenue prescribes. Section 1.6001–1(a) of the Income Tax Regulations provides that every person must keep records to substantiate the amount of any deduction.

.03 Section 7602(a) provides that the Commissioner may examine any books, papers, records, or other data that may be relevant to ascertaining the correctness of any return, making a return where none has been made, or determining the liability of any person for any internal revenue tax.

.04 Under §§ 162 and 6001, family day care providers must keep records that substantiate deductions for food provided to eligible children in the family day care. Because family day care providers often purchase food that is used for their own families as well as in carrying on their family day care business, they may have difficulty substantiating the portion of the cost of food that is attributable to their family day care business. Additionally, it is burdensome for family day care providers to keep receipts for all food purchased during the taxable year for both the family day care and their own family's personal use. To minimize disputes concerning the records family day care providers must keep to substantiate their deductible food cost, and to reduce burden by eliminating the need to keep all receipts for food purchased during the taxable year, the Internal Revenue Service will permit family day care providers to use the standard meal and snack rates provided in this revenue procedure to compute the deductible cost of food in lieu of using actual costs. A family day care provider who complies with all the provisions of this revenue procedure will be deemed to meet the substantiation requirements of § 6001 and the regulations thereunder for the purpose of computing the deductible cost of food provided to eligible children in the family day care.

## SECTION 3. SCOPE

This revenue procedure applies to any family day care provider, whether or not licensed, registered, or otherwise regulated by the state or locality in which the family day care operates, who chooses to use the standard meal and snack rates provided in this revenue procedure to substantiate the deductible cost of meals and snacks provided to eligible children in the family day care.

## SECTION 4. DEFINITIONS

.01 *Family Day Care Provider.* A family day care provider is a taxpayer engaged in the trade or business of providing family day care.

.02 *Family Day Care.* Family day care is child care provided to eligible children in the home of the family day care provider that is (1) non-medical, (2) does not involve a transfer of legal custody, and (3) generally lasts for less than 24 hours each day.

.03 *Eligible Children.* Except as otherwise provided in this section, eligible children are unemancipated minors receiving family day care in the home of the family day care provider. Eligible children do not include children who are full-time or part-time residents in the home in which the child care is provided or children whose parent(s) or guardian(s) are residents of the same home. For example, a family day care provider's own children, and any children who live in the family day care provider's home on a full or part-time basis, are not eligible children even if they receive day care services from the family day care provider. Eligible children do not include children who receive day care services for personal reasons of the family day care provider. For example, if a family day care provider provides day care services for the provider's sister's child as a favor to the sister, that child is not an eligible child within the meaning of this revenue procedure.

## SECTION 5. APPLICATION

.01 *In General.* Family day care providers may compute the deductible cost of each meal and snack actually purchased and served to an eligible child during the time period when family day care is provided by using the standard meal and snack rates provided in section 5.04 of this revenue procedure. A family day care provider may use the standard meal and snack rates for a maximum of one breakfast, one lunch, one dinner, and three snacks per eligible child per day. The rates apply regardless of whether a family day care provider is reimbursed for food costs, in whole or in part, under the CACFP, or under any other program, for a particular meal or snack. A family day care provider who receives a reimbursement for a particular meal or snack, however, may deduct only the portion of the applicable standard meal or snack rate that exceeds the amount of the reimbursement.

.02 *Rates Must Be Used Consistently.* Family day care providers may use either the standard meal and snack rates or actual costs to calculate the deductible cost of food provided to eligible children in the

family day care in any particular taxable year. Family day care providers who choose to use the standard meal and snack rates provided in this revenue procedure for a particular taxable year must use the rates for all their deductible food costs during that taxable year. However, a family day care provider who uses the standard meal and snack rates in any taxable year may use actual costs to compute the deductible cost of food in any other taxable year.

.03 *Record Keeping.* To satisfy the record keeping requirements of § 6001 and the regulations thereunder, family day care providers who use the standard meal and snack rates provided in this revenue procedure must maintain records to substantiate their computation of the total amount deduct-

ible under this revenue procedure for each taxable year. The records should include the name of each eligible child, dates and hours of attendance in the family day care, and the type and quantity of meals and snacks served. This information may be recorded in the meal and snack log contained in the APPENDIX to this revenue procedure. A family day care provider who uses the log in the APPENDIX to maintain accurate and required information will be deemed to comply with the record keeping requirements of § 6001 and the regulations thereunder.

.04 *Standard Meal and Snack Rates.*

The standard meal and snack rates are equal to the Tier I reimbursement rates of the CACFP for meals served in day care

homes. For purposes of this revenue procedure, the standard meal and snack rates for a taxable year are the Tier I rates in effect on December 31 preceding the beginning of the family day care provider's taxable year. For example, for the 2003 taxable year, calendar year family day care providers will use the Tier I rates in effect on December 31, 2002, as the standard meal and snack rates to calculate their deductible food costs for the entire 2003 taxable year. The rates will be adjusted annually (see section 5.06 of this revenue procedure).

The standard meal and snack rates in effect on December 31, 2002, are:

(1) For all family day care providers other than those located in Alaska or Hawaii:

| | |
|---|---|
| Breakfast | $0.98 |
| Lunch/Dinner | $1.80 |
| Snack | $0.53 |

(2) For family day care providers located in Alaska:

| | |
|---|---|
| Breakfast | $1.55 |
| Lunch/Dinner | $2.93 |
| Snack | $0.87 |

(3) For family day care providers located in Hawaii:

| | |
|---|---|
| Breakfast | $1.13 |
| Lunch/Dinner | $2.11 |
| Snack | $0.63 |

.05 *What is Included in the Standard Meal and Snack Rates.* The standard meal rates apply to breakfast, lunch, and dinner. The standard meal and snack rates include beverages, but do not include non-food supplies used for food preparation, service, or storage, such as containers, paper products or utensils. The standard meal and snack rates do not include other non-food items such as medication, administrative supplies, or toys. A family day care provider who uses the standard meal and snack rates may separately deduct the cost of these non-food items if the cost is deductible under § 162.

.06 *Annual Adjustment of the Standard Meal and Snack Rates.* The standard meal and snack rates will be adjusted annually. The Department of Agriculture adjusts the Tier I reimbursement rates each July based on changes to the consumer price index for the cost of food at home. Although the Tier

I reimbursement rates apply for the period of July 1 to June 30 of each year, for purposes of this revenue procedure the standard meal and snack rates applicable for a particular taxable year are the Tier I rates in effect on December 31 preceding the beginning of the family day care provider's taxable year.

Generally, the CACFP reimbursement rates may be found on the Internet at *www.usda.gov* under "Child and Adult Care Food Program." The Service will post the standard meal and snack rates currently in effect under this revenue procedure on the Internet at *www.irs.gov/businesses/small/industries/index.html*, then click on "Child Care." The Service will also include the standard meal and snack rates that are current at the time of publication in Publication 587, *Business Use of Your Home.*

SECTION 6. EFFECTIVE DATE

This revenue procedure is effective for taxable years beginning after December 31, 2002.

SECTION 7. AUDIT PROTECTION

If a family day care provider uses the Tier I rates to compute the deductible cost of food provided to eligible children in a taxable year that ends before January 1, 2003, the Service will not raise the issue of the amount of the family day care provider's deductible food costs. If a family day care provider uses the Tier I rates to compute the deductible cost of food provided to eligible children in a taxable year that ends before January 1, 2003, and the amount of the family day care provider's deductible food costs is an issue under consideration (within the meaning of section 3.09 of Rev. Proc. 2002–9, 2002–3 I.R.B.

327) in examination, in appeals, or before the U.S. Tax Court in a taxable year that ends before January 1, 2003, that issue will not be further pursued by the Service.

## DRAFTING INFORMATION

The principal author of this revenue procedure is Angella Warren of the Office of Associate Chief Counsel (Income Tax and Accounting). For further information regarding this revenue procedure, contact Ms. Warren at (202) 622–4950 (not a toll-free call).

# APPENDIX
## Family Day Care Provider Meal and Snack Log
**Name of Provider** _____ **TIN/SSN** _____

**Week of** _____

| Child's Name | Monday | Tuesday | Wednesday | Thursday | Friday | Saturday | Sunday | Totals |
|---|---|---|---|---|---|---|---|---|
| | Hours of attendance: _____ <br><br> Bkfst ☐ <br> Snack ☐ <br> Lunch ☐ <br> Snack ☐ <br> Dinner ☐ <br> Snack ☐ | Hours of attendance: _____ <br><br> Bkfst ☐ <br> Snack ☐ <br> Lunch ☐ <br> Snack ☐ <br> Dinner ☐ <br> Snack ☐ | Hours of attendance: _____ <br><br> Bkfst ☐ <br> Snack ☐ <br> Lunch ☐ <br> Snack ☐ <br> Dinner ☐ <br> Snack ☐ | Hours of attendance: _____ <br><br> Bkfst ☐ <br> Snack ☐ <br> Lunch ☐ <br> Snack ☐ <br> Dinner ☐ <br> Snack ☐ | Hours of attendance: _____ <br><br> Bkfst ☐ <br> Snack ☐ <br> Lunch ☐ <br> Snack ☐ <br> Dinner ☐ <br> Snack ☐ | Hours of attendance: _____ <br><br> Bkfst ☐ <br> Snack ☐ <br> Lunch ☐ <br> Snack ☐ <br> Dinner ☐ <br> Snack ☐ | Hours of attendance: _____ <br><br> Bkfst ☐ <br> Snack ☐ <br> Lunch ☐ <br> Snack ☐ <br> Dinner ☐ <br> Snack ☐ | Number of breakfasts served: _____ <br><br> Number of lunches served: _____ <br><br> Number of dinners served: _____ <br><br> Number of snacks served: _____ |
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**Week of** _____ **(page ___)**

| Child's Name | Monday | Tuesday | Wednesday | Thursday | Friday | Saturday | Sunday | Totals |
|---|---|---|---|---|---|---|---|---|
| | Hours of attendance: _____ <br><br>Bkfst ☐ <br>Snack ☐ <br>Lunch ☐ <br>Snack ☐ <br>Dinner ☐ <br>Snack ☐ | Hours of attendance: _____ <br><br>Bkfst ☐ <br>Snack ☐ <br>Lunch ☐ <br>Snack ☐ <br>Dinner ☐ <br>Snack ☐ | Hours of attendance: _____ <br><br>Bkfst ☐ <br>Snack ☐ <br>Lunch ☐ <br>Snack ☐ <br>Dinner ☐ <br>Snack ☐ | Hours of attendance: _____ <br><br>Bkfst ☐ <br>Snack ☐ <br>Lunch ☐ <br>Snack ☐ <br>Dinner ☐ <br>Snack ☐ | Hours of attendance: _____ <br><br>Bkfst ☐ <br>Snack ☐ <br>Lunch ☐ <br>Snack ☐ <br>Dinner ☐ <br>Snack ☐ | Hours of attendance: _____ <br><br>Bkfst ☐ <br>Snack ☐ <br>Lunch ☐ <br>Snack ☐ <br>Dinner ☐ <br>Snack ☐ | Hours of attendance: _____ <br><br>Bkfst ☐ <br>Snack ☐ <br>Lunch ☐ <br>Snack ☐ <br>Dinner ☐ <br>Snack ☐ | Number of breakfasts served: _____ <br><br>Number of lunches served: _____ <br><br>Number of dinners served: _____ <br><br>Number of snacks served: _____ |
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**Weekly Totals:   Breakfast _____   Lunch _____   Dinner_____   Snacks _____**

# Family Day Care Provider Meal and Snack Log

Name of Provider _____  TIN/SSN _____

Taxable Year Ending _____

Total number of breakfasts served during the year _____ x breakfast rate of $ _____ = $ _____ (annual breakfast cost)

Total number of lunches served during the year _____ x lunch rate of $ _____ = $ _____ (annual lunch cost)

Total number of dinners served during the year _____ x dinner rate of $ _____ = $ _____ (annual dinner cost)

Total number of snacks served during the year _____ x snack rate of $ _____ = $ _____ (annual snack cost)