

# Online Tax Preparation Buyer's Guide

## FOR CHILD CARE BUSINESSES

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DESIGNED AND DEVELOPED BY

**CIVITAS STRATEGIES**

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## About Civitas Strategies

Civitas Strategies (CS), a 12-year-old management consultancy with extensive early learning experience, provides essential support for families and our youngest learners and focus on early childhood and early learning environments for children.

In our work, we combine extensive expertise in business management with a deep familiarity with child care and early learning operations. That intersection allows us to approach this work with two main ideas:

1. We have the necessary experience, data, and knowledge to support child care businesses to increase revenues and decrease costs, stabilizing the industry in your community.
2. We know how to use those tools to create and implement goal-based strategies to give child care providers the support they need when they need it.

For more information on CS and child care business resources, visit our [blog](#).

## About this guide

Many child care business owners can prepare their own taxes. Using tax software is a great way to save yourself time and money. It also can give you peace of mind since many calculations are performed for you and there are automated cross-checks to ensure you are properly accounting for your revenue and expenses. According to the IRS, filing electronically helps you [avoid common and costly errors](#). Best of all, it puts you in the driver's seat of this essential business responsibility—filing your annual tax return.

To assist child care business owners in understanding key features and guidance in support of self-tax prep, Civitas Strategies tested the online, Self-Employed versions of three mainstream tax preparation software systems: **H&R Block**, **TaxAct**, and **TurboTax**. From that testing, Civitas Strategies created three step-by-step guides that walk child care business owners, specifically sole proprietors, through the process of completing their Schedule C through each platform.

Note that this guide is not tax or financial advice, nor an endorsement of any particular tax preparation software. The authors are not affiliated with any of the software systems and do not receive any financial compensation from these companies.

## A Child Care Business Owner's Guide to H&R Block, TaxAct, and TurboTax

These mainstream tax preparation software systems were evaluated by drawing upon wisdom from the Luminary Evaluation Group's [Confidence in Quality Tax Prep Rubric©](#), the Home Grown [Preparing for the 2022 Tax Season Guide](#), and CS' extensive coaching with child care providers on the topic of tax education. The following features were taken into consideration as essential for impacting the child care business owner's tax preparation experience:

1. **Usability** – how easy the user interface is to use and navigate.
2. **Guidance** – how informative the system is, providing examples and explanations of terminology and deductions.
3. **Business Use of Home** – the accuracy and process of guiding providers through the calculation of this key deduction for family child care homes by applying their time-space percentage to business expenses.
4. **Meals** – the accuracy and process of guiding providers through the calculation of this key deduction for child care businesses that serve children meals.
5. **Depreciation** – the process of guiding providers through the calculation of this key deduction for child care businesses.

Below, we offer a high-level comparison of these tax preparation software. For a detailed review, view the corresponding step-by-step guide for that system.

## Tax Preparation Software Comparison

	H&R Block	TaxAct	TurboTax
<b>Pros</b>		<ul style="list-style-type: none"> <li>• Usability</li> </ul>	<ul style="list-style-type: none"> <li>• Usability</li> <li>• Guidance</li> <li>• Business Use of Home</li> <li>• Meals</li> <li>• Depreciation</li> </ul>
<b>Cons</b>	<ul style="list-style-type: none"> <li>• Usability.</li> <li>• Guidance</li> <li>• Expense categories do not clearly follow the Schedule C.</li> <li>• Does not automatically apply time-space percentage to many expenses.</li> <li>• Time-space percentage guidance does not include hours worked without children present.</li> <li>• Lack of details and explanation of depreciation.</li> </ul>	<ul style="list-style-type: none"> <li>• Guidance.</li> <li>• Does not automatically apply time-space percentage to many expenses.</li> <li>• Time-space percentage guidance does not include hours worked without children present.</li> <li>• Roundabout entries of expenses, specifically business use of home and depreciation.</li> </ul>	<ul style="list-style-type: none"> <li>• Does not automatically apply time-space percentage to many expenses.</li> <li>• Time-space percentage guidance does not include hours worked without children present</li> <li>• Offers improper recommendations on deducting reimbursed food costs and choosing the simplified method for time-space percentage.</li> </ul>
<b>Best For</b>	<ul style="list-style-type: none"> <li>• Those familiar with the platform</li> <li>• Those comfortable with self-tax preparation</li> <li>• Those with advanced tax knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• Those familiar with the platform</li> <li>• Those comfortable with self-tax preparation</li> </ul>	<ul style="list-style-type: none"> <li>• All users</li> </ul>

## **Disclaimer**

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