


# Dealing with the Financial Side of the Coronavirus



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For the Pennsylvania  
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# Instructor

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# Disclaimer

- “I am not rendering legal, tax, or other professional advice. If you require this type of assistance, please consult a professional to represent you.”

## Difficult Times

- This is an extremely stressful time for family child care providers
- The financial impact will be significant for many
- Already some providers have been forced to close or are choosing to close
- You don't have to remain open if you want to close
- There are some new federal programs that can help
- Hopefully, more will help will arrive
- Eventually, the virus will pass

# Medical Precautions

- Follow the lead of the Center for Disease Control (CDC) and your state health department for guidance on how to keep you and your children safe
- CDC: <https://www.cdc.gov/>
- Also from the CDC: [https://www.cdc.gov/coronavirus/2019-ncov/prepare/prevention.html?CDC\\_AA\\_refVal=https%3A%2F%2Fwww.cdc.gov%2Fcoronavirus%2F2019-ncov%2Fabout%2Fprevention.html](https://www.cdc.gov/coronavirus/2019-ncov/prepare/prevention.html?CDC_AA_refVal=https%3A%2F%2Fwww.cdc.gov%2Fcoronavirus%2F2019-ncov%2Fabout%2Fprevention.html)

# Webinar Agenda

- Loss of business income –will insurance cover you?
- What can you do if you have to shut down?
- What can you do if a parent temporarily leaves your program?
- Can you exclude a child who you think is sick?
- Are you entitled to unemployment benefits if you shut down?
- Are there new loan/grant programs available to help?
- What are the tax implications of being closed or losing clients?
- Are there federal or state programs that will help you or your staff?

## Insurance – Loss of Business Income

- If you lose income because of the corona virus, what insurance will help?
- Your homeowners or business liability insurance will not cover you
- Check your business property insurance to see if you are covered
- Some business property insurance policies will cover
  - Guide One – up to \$10,000 (<https://www.guideone.com/>)
  - West Bend Mutual – up to \$50,000 (<https://www.thesilverlining.com/>)
- Contact your business liability insurance agent or an independent insurance agent to seek coverage

## Limitations of Insurance

- The two insurance companies listed will only provide coverage if **both** of these two conditions are met:
  - Someone in your program contracts the virus
  - A government agency forces you to shut down your program
- What if the person contracting the virus is your employee, your family member, the child's family member?
- It's not likely that other insurance companies will step in to offer coverage for this virus anytime soon



## What if You Get Sick?

- Check with your business liability insurance policy to see if it covers you when you get sick
  - In some cases it may cover if you get the virus because of your business
- Normally, if you get sick your own health insurance will cover you

## What if You Shut Down?

- Pennsylvania has not required homes and group homes to close
  - Group homes in commercial settings must close, but there is a waiver process for those who serve essential workers
- Look at your contract to see what it says about shutting down
- If it doesn't say parents must pay if you shut down because of a public health emergency, you can't charge parents, unless you change your contract
- Your state subsidy program will continue to pay you but you may not charge parents their copay unless you are open and the child is attending
- You can change your contract now if parents sign off on the change
  - If they don't sign you can't enforce it
- You can ask parents to voluntarily pay you your full rate or part rate

## Sample Change in Contract

- “The ABC child care program may be forced to close down temporarily because of a public health emergency, such as the coronavirus. This may happen because I am forced to shut down by a government agency, or because we believe it is in the best interest of our families that we do so. If this happens and parents have paid in advance, I will A: refund the money. B: not refund the money and continue to charge my normal rate. C: apply the money to care once I reopen.
- For parents who have not paid in advance, I will A: charge my normal rate. B: charge half my normal rate. C: Offer a 25% discount. D: not charge parents during the shutdown.”

## Holding Fee

- You could charge parents a holding fee to hold their child's spot until you reopen
- Your holding fee can be your full rate, half your rate, a flat amount, or any amount you want
- Put it in writing and have the parents sign it, or it's not enforceable

## When a Parent Keeps Their Child From Your Program

- Whether you can charge parents in this situation depends on what your contract says
  - Most contracts say parents must pay even if they don't bring their child to care
- Is the parent terminating care, and if so, what notice must they give you?
- Get clarification from parents if they are terminating or temporarily not bringing their child
  - Ask, "Are you leaving temporarily or permanently?" Set your own policy about temporary absences
- You can choose to enforce your existing policy of parents paying, or you can suspend your policy

## Sample Contract Change

- “We will be keeping our child care program open as long as possible. As long as we are open, if you decide to keep your child away from our program during this national emergency, I will A: charge you my normal rate. B: charge you half my normal rate. C. offer a 25% discount off my normal rate. D. not charge you. E: other. If you have concerns about this new policy, please talk with me.”
- Your program may allow some parents to pay later, or allow some parents not to pay while other parents do pay.
- Must get parents to sign any change in your payment policy

## Can Your Refuse Care to a Child?

- Before refusing to care for a child who you believe is sick or you are concerned might get sick, consult your contract and policies
- Federal law allows you to deny care to a child as long as it doesn't violate federal anti-discrimination laws (race, sex, religion, national origin, disability, ethnic background)
  - Your state may also include sexual orientation, marital status, and more
  - So, you can refuse care using stricter rules than you currently have, if you change your policies
- If a parent has paid in advance, you must refund for days you are unwilling to provide care

## Contract & Policy – Parent Sick Days Issues

- You can establish your own sick day policies to deal with the virus
- Check to see what your contract and policies say
- You may currently offer paid or unpaid sick days
- What if the parent or other family member is sick, not the child?
- You are not liable if a child/parent gets sick from contracting the virus in your program! It's just like a child getting any other contagious illness
- It's useless to try to get parents to sign a liability waiver in case someone gets sick in your program. It's not enforceable



## Employee Sick Day Policies

- The Families First Coronavirus Response Act – Emergency Paid Sick Leave Act
- This new federal law makes employees eligible for some paid sick days off
- Eligible employees are those who experience virus symptoms or are caring for children because the school is closed or their caregiver is closed
- Full time employees are entitled to 80 hours of paid sick leave
  - Part time employees get equivalent hours
- Employees absent to care care for sick family member or child because of school closure get compensated at 2/3rds of rate
- Effective April 2nd

## Paid Family Leave

- The Families First Coronavirus Response Act – Paid Family Leave
- This new act also provides paid leave if employee's school or place of care has closed
- Applies to all employees who have worked for at least 30 days
- Employee may take up to 12 weeks of paid leave
- The initial 10 days are unpaid. After 10 days an employee gets 2/3rds of normal wages
  - Note: First 10 days can be taken as paid sick days
- Employee must apply for this leave beginning April 2<sup>nd</sup>
- Employers get refundable tax credit against their employer share of Social Security taxes for both sick leave and family leave

## Can Your Exclude a Child to Care for Another?

- Can your program kick out one child to make room for a child of an emergency worker/health care worker?
- Yes. It's not illegal discrimination
- Follow your contract procedures if you are terminating
- You can ask parents to voluntarily keep their child at home
- You can set whatever policy you want by giving the excluded family special treatment when they return

# Subsidy Parents

- How to handle loss of subsidy parents?
- Your contract should always say that subsidy parents are fully responsible for their bill, even if the subsidy program won't pay
  - It will be difficult to collect directly from subsidy parents
- Contact your state subsidy program to see what their policy will be if you or parents are quarantined
- Otherwise, you can set your own rule as long as it is applied consistently to all parents
  - If you are not sure about changing your policy to subsidy parents, ask your subsidy program for advice

# Unemployment

- Family child care providers who are self employed and are forced to close by the government are eligible for unemployment benefits
- Providers who choose to shut down (or have lost income) may be able to claim unemployment insurance
  - Incorporated family child care providers may be eligible for benefits
- Employees who you lay off may be eligible for unemployment insurance benefits
- Apply at your state unemployment office
  - There may be delay in processing your claim

# Loans

- The Small Business Administration (SBA) normally offers loans to small businesses
- They are currently offering low interest loans (3.75%) to businesses (family child care) affected by the virus
  - Loans can be to pay for employee wages, payment of mortgage loan interest, rent, and utilities
  - Two months of most loans can be forgiven
- Contact your local SBA office for more information
  - <https://www.sba.gov/>

# Stimulus Law

- Individuals earning less than \$75,000 are eligible for a \$1,200 check
- Couples earning less than \$150,000 are eligible for a \$2,400 check
- Can get \$500 for dependent children under age 17
- College students who are not eligible to be claimed as a dependent can get \$1,200
- The check is not taxable income
- If you filed electronically the IRS will automatically deposit into your bank (three weeks?), otherwise it will mail to you

# Tax Implications

- This is a very stressful time for providers who have lost children or who have shut down voluntarily or involuntarily!
- What are the tax implications?
- You can't deduct as a business expense any loss of income
  - Includes giving parents a discount or forgiving payment
- How can you minimize the loss of income?



## What to Do?

- If you are shut down or work fewer hours, your Time-Space Percentage will be smaller, and this will reduce the amount of house expenses and shared expenses you can deduct
- To help reduce this impact, reconstruct of all the hours you have spent talking to parents, other providers, time on the Internet, etc. dealing with the virus so far when children were not present in your home
- Even if you are closed you can still count hours going forward that you are in your home doing a business activity:
  - Cleaning, talking to parents and other providers, preparing to open again, other

## More Ideas

- Parents staying home with their children now may seek out temporary child care
- You may want to consider offering less than full-time child care
- Offer part-time care, drop-in care, overnight care, weekend care
- Care for school agers even if you haven't done so before
- If you do change your hours, contact your business liability insurance agent and tell him/her about these changes to make sure you are still covered
- Some providers will have to seek out other ways to make money until the crisis is over

## What Else?

- To reduce your financial burden, spend less
- You can deduct any cleaning supplies, etc. that you buy to combat the virus
- You can deduct food that you throw away because you can no longer serve it to children
- If you are open but caring for fewer children and on the Tier II of the Food Program, you now may be eligible for Tier I
- With a lower income, your taxes will be lower
- This may make you eligible for the Earned Income Credit or other federal or state credits based on income eligibility
  - Check to see if you may be eligible for Food Stamps
    - <https://www.ssa.gov/pubs/EN-05-10101.pdf>

## Three Key Tips

- Whether in good times or bad time, these are the three most important record keeping tasks that will help you reduce your taxes
- Save all receipts, business and personal
- Track all the hours you work in your home, particularly when children are not present (for at least 2 months a year)
- Record all the meals and snacks you serve, particularly those that are not reimbursed by the Food Program

## What Next?

- This is an extremely stressful time for child care programs, your staff, your families and the families in your care
- Watch for any future federal or state action to address these issues
- I wish there was more financial support available to child care programs
- The only way the child care field can be more financially viable, even in the best of times, is more federal and state governmental support
  - That requires a more concerted effort to lobby for governmental change
  - Contact Child Care Aware of America about taking political action - <https://www.childcareaware.org/>

# Resources

- Child Care Law Center
  - <https://www.childcarelaw.org/2020/03/questions-and-answers-about-the-impact-of-the-coronavirus-on-family-child-care-in-california/>
- Example of a parent letter
  - <http://tomcopelandblog.com/sample-parent-letter-on-coronavirus>

# Ask Tom

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