

Ontario Disability Support Program - Income Support Directives

5.6 - Private Home Day Care Providers

Summary of Policy

An applicant or recipient who earns income from the operation of a Private Home Day Care may be eligible for income support and increased business asset exemptions as approved by the Director. Earnings exemptions including deductions for child care and disability-related expenses are applied to the net monthly income from the operation of a Private Home Day Care in order to determine the amount of income support payable to the recipient.

For each month that an ODSP recipient or eligible member of the benefit unit has a net positive income from the operation of a business (Private Home Day Care), they are eligible for the \$100 Work-Related Benefit.

Legislative Authority

[Sections 12\(3\), 14\(2\)4, 28\(1\) 7, 8, 9, 10, 11, 38 and 44 \(1\) 6.2 of the ODSP Regulation.](#)

Summary of Directive

A person who operates a Private Home Day Care is considered to earn income from a business and may be eligible to receive income support under ODSP. The Private Home Day Care Provider may be associated with a licensed agency or work independently.

Where an applicant or recipient is a Private Home Day Care Provider, allowable business expenses are deducted from the gross business income of the day care to calculate net income. Earning exemptions, child care deductions and a deduction for disability-related expenses as appropriate, are then applied to the net income to determine chargeable income.

Recipients and eligible members of the benefit unit who have monthly net positive business income are eligible for the work-related benefit of \$100 each month they generate net positive business income.

Intent of Policy

To allow self employment from the provision of Private Home Day Care services as a means of increasing financial independence.

Application of Policy

Private Home Day Care is defined in the **Day Nurseries Act** as temporary care for reward or compensation of five children or less who are under ten years of age where such care is provided in a private residence, other than the home of a parent or guardian of any such child, for a continuous period not exceeding twenty-four hours. The Private Home Day Care Provider may be associated with a licensed agency or work independently.

Private Home Day Care is not to be confused with babysitting. Babysitting usually takes place in the parent/guardian's home and is defined as taking care of one or more children on an occasional basis. It may involve a few hours or a few days/evenings per week or month.

For the purposes of determining ODSP eligibility, recipients who provide babysitting services are generally considered to be self-employed with income from a business unless it can be demonstrated that there is an employer-employee relationship. (See [Directive 5.4 Treatment of Self-Employment Income](#)) Nannies and homemakers are examples of employment situations where there is likely to be an employer-employee relationship. If the person is considered an "employee", the income received by the applicant/recipient for babysitting services is considered earned income and must be reported on a monthly basis.

Treatment of Private Home Day Care Income

The net business income of the Private Home Day Care provider is determined after allowable expenses are deducted from gross income. Earning exemptions and deductions for child care and disability-related expenses as appropriate, are applied to the net business income of the recipient to determine chargeable income.

Approved Business Expenses

A "reasonableness" test must be applied to expenses to ensure that they meet the following criteria:

- necessary for the operation of the Private Home Day Care;
- will maintain or increase the likelihood of earning income from the business; and,
- the item or service is purchased on a "best buy" basis (*i.e.*, the cost is not unusually high or inflated).

If the item or service is not expected to result in income from self-employment, it should not be approved as an allowable expense.

List of Approved Business Expenses:

- **Standard Expense Deduction (\$100):** ODSP recipients reporting income from self-employment are allowed a basic deduction of \$100 per month to cover miscellaneous expenses related to operating the business. It is not necessary to report the specific expenditures and no receipts are required in order to claim the standard expense deduction.

Recipients must claim either the standard \$100 per month expense deduction **or** actual business expenses, whichever is the greater amount. If actual expenses are claimed, specific expenditures must be reported and receipts will be required.

Note: ODSP recipients must generate at least \$100 per month in self-employment income (or over \$1200 per year, as net business income is calculated annually) in order to have a net positive monthly business income and qualify for the work-related benefit. For further details regarding eligibility for the work-related benefit, see [Directive 9.18 Work-Related Benefit](#).

- **Cleaning Supplies:** cleaning equipment and solutions required to maintain hygiene standards of day care equipment and items used by the children.
- **Laundry Expenses:** cost related to cleaning soiled clothing and/or diapers. Costs will vary depending on the number and age of the children.
- **Food:** meals and snacks for children enrolled in the day care. ODSP staff should review food expenses submitted to determine if they are reasonable given the number and age of the children receiving day care. As a guideline, monthly expenses of approximately \$90-\$100 per child may be allowed.
- **Incidental Expenses:** can include toiletries, postage and first aid supplies, provided the expenses are reasonable.
- **Transportation Expenses:** necessary for operating the Private Home Day Care will be allowed including occasional recreational outings for the children, transportation of children in emergencies, and transportation for the operator to undertake required medical tests, mandatory training and agency meetings, if applicable.
- **Capital Expenditures:** require prior approval and may include:
 - equipment including cribs, linen, play materials, gates and fences; and,
 - breakage and replacement incurred as a direct result of the operation of the business.

Other business expenses outlined in [Directive 5.4 Treatment of Self-Employment Income](#) may be considered if necessary to the operation of the Private Home Day Care.

Non-Approved Business Expenses

The list of non-approved business expenses for operating a business outlined in Directive 5.4 Treatment of Self Employment Income also applies to Private Home Day Care Providers.

"Tools of the Trade" and Assets

"Tools of the trade" are exempt as assets under certain circumstances. Equipment and other items required to derive an income from the Private Home Day Care will be considered "tools of the trade" and are therefore exempt.

Annual Reporting

All Private Home Day Care income and expenses must be reported on an annual basis. Receipts for annual expenses and revenue must be submitted at the time of income review if the recipient is claiming actual expenses. Recipients claiming the standard expense deduction are not required to submit receipts. Income and expenses can be reviewed on a monthly basis where requested by the client.

Record Keeping

A recipient must follow the record-keeping standards as set out under [Directive 5.4 Treatment of Self-Employment Income](#). For verification purposes, ODSP staff shall request a copy of the recipient's most recent Revenue Canada Statement of Business Activities.

For record-keeping purposes, applicants/recipients may want to use "Record Keeping Made Easy: Practical Bookkeeping and Budgeting System for your New Small Business", published by the former Ministry of Enterprise, Opportunity and Innovation. Copies of the guide may be obtained from Publications Ontario, Government of Ontario Book Stores or by calling 1-800-668-9938 outside Toronto or (416) 326-5300 in Toronto.

Employment and Training Start-Up Benefit (ESUB) and Up Front Child Care

Eligibility for the Employment and Training Start-Up Benefit (ESUB) and Up Front Child Care costs applies to a recipient starting his/her own Private Home Day Care business to help defray the expenses of starting a business. Refer to [Directive 9.1 Employment and Training Start-Up Benefit and Up Front Child Care Costs](#).

Hyperlinks Associated with this Policy Directive

Related Directives:

[5.1 Definition and Treatment of Income](#)

[5.3 Deductions from Employment and Training Income](#)

[5.4 Treatment of Self-Employment Income](#)

[9.1 Employment and Training Start-Up Benefit \(ESUB\) and Up Front Child Care Costs](#)

[9.18 Work-Related Benefit](#)