



# Adult Care Homes and Taxes (State and Private)

Navigating Tax Compliance for  
ACH Operators

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# Introduction & Objectives



Overview of adult care homes



Understand state vs. private adult care homes



Explore tax implications and compliance



Highlight best practices for record keeping and liability protection

# Types of Adult Care Homes

Private Adult Care Homes: Operate independently and set their own rates

State Adult Care Homes: Operate under Medicaid guidelines and state contracts

# Qualifying as a State Adult Care Home

Must be licensed by the state AND:

- Live in the home as their primary residence
- Serve no more than 5 residents at a time
- Be self-employed: Schedule C Sole Proprietor or Schedule C LLC
- Be the direct owner of the license (no third-party management)

# Structuring Ownership to Limit Liability

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Consider placing the home title into an LLC or Trust

LLC/Trust rents the property to the ACH business, and reimburses relevant costs.

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Property may need to be paid off (or refinanced) – check with your lender beforehand.

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## **Purpose:**

Separates the property from the ACH business, along with potential liability.

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Provides rental expense deduction for the business.

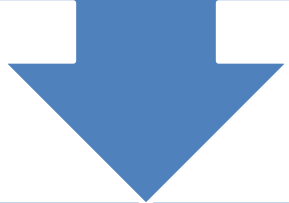
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Help protect personal assets

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# Federal Tax Compliance

Entity Type: Sole Proprietorship,  
LLC (Sch. C), or S-Corp



## Filing Requirements:

Schedule C, Form 1040  
(Sole Prop or LLC)

Employment taxes if you  
hire staff (Form 941, 940,  
W-2s)

Form 1120-S (S-Corp)

- Owners MUST be on payroll and receive a regular salary

# Oregon State Tax Compliance

Business income reported on Oregon Form OR-40

## Additional filings:

- Oregon Combined Payroll Tax Report (if hiring staff)
- Annual LLC fee if registered as an LLC/Inc (\$100)
- Oregon CAT (Corporate Activity Tax) if revenue exceeds \$1 million
- TriMet Self Employed Taxes (Schedule C & Sole Prop only)
- City of Portland: Business License
  - Multnomah County: Preschool for All Tax (income requirement)
  - Metro Area: Metro Supportive Housing (income requirement)

# Record Keeping Requirements (Federal)



Maintain records for at least 3 years (7 years highly recommended)



Keep receipts, mileage logs, utility bills, payroll records



Use accounting software or a dedicated logbook

(Highly recommend a bookkeeper, typically a low monthly cost)



Track both business and household expenses

(This is crucial in this industry. If the IRS sees any "mismanagement" of funds, they can expand their audits to any and all businesses as well as personal)



# Record Keeping Requirements (Oregon)

Retain records for state audits (3–5 years recommended)

Must match federal returns

Special note: Medicaid or licensing require additional documentation (e.g., care logs, meal records)

- Monthly summaries from DHS
- Detailed care summaries (monthly)
- Detailed medication records
- DHS contracts for each resident

# Best Practices & Tips



Separate personal and business finances



Consult a tax professional annually



Use dedicated business bank accounts



Stay informed of changes to Medicaid and tax law



Consider consulting with a Trust lawyer to establish a trust

- Can improve your tax situation as well as create doors between yourself and your business liabilities
- Can protect you from business liabilities (especially in the case of a lawsuit)

# Common Pitfalls to Avoid

Commingling funds between business and personal or between businesses

Not making estimated tax payments (incurs penalties)

Inadequate recordkeeping (often the reason for expanded audits)

Not protecting the home asset with an LLC or other structures

Improperly claiming the Medicaid exclusion

- You **MUST** prorate your expenses to match your Medicaid income. If your preparer is not prorating your deductions, they are not properly claiming the exclusion. This can, and likely will, result in both Federal and State audits for multiple years down the road.

# Q&A / Contact Information



Thank you for attending!



Questions?



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