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

Consider placing the home title into an LLC or Trust	LLC/Trust rents the property to the ACH business, and reimburses relevant costs.
	Property may need to be paid off (or refinanced) – check with your lender beforehand.
Purpose:	Separates the property from the ACH business, along with potential liability.
	Provides rental expense deduction for the business.
	Help protect personal assets

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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