

# Automatic Time-Space Allocation for Home Daycare Expenses

## Feature Proposal for Simplifi Personal & Business

### Submitted By

Home daycare provider using Simplifi Personal & Business

### Executive Summary

Home daycare providers are required by the IRS to allocate certain household expenses—such as utilities, rent, mortgage interest, repairs, insurance, and internet—between business and personal use using a specific formula called the **Time-Space Percentage**.

Simplifi currently requires users to manually split each transaction, which is inefficient, error-prone, and difficult to maintain across hundreds of transactions per year.

This feature request proposes a built-in **automatic allocation engine** that applies the IRS-required percentage to designated categories, dramatically improving accuracy and reducing user workload.

### Problem Statement

Home daycare providers face a unique bookkeeping challenge: many expenses benefit both the home and the daycare business. IRS rules require these expenses to be allocated using a precise formula.

Simplifi does not currently support automatic allocation, forcing users to manually split every transaction. This results in:

- Hundreds of repetitive manual splits
- Increased risk of inconsistent percentages
- Higher likelihood of IRS errors
- A poor experience for home-based business users

### User Story

**As a home daycare provider**, I need Simplifi to automatically apply my IRS-required business-use percentage to mixed-use categories, so that I can accurately track deductible expenses without manually splitting every transaction.

## **Proposed Solution**

### **A. Add a Category Allocation Setting**

Each category should allow one of the following allocation types:

- **100% Business**
- **100% Personal**
- **Custom % Allocation** (user-defined)
- **Home Daycare Time-Space % Allocation** (calculated automatically)

### **B. Add Global Daycare Settings**

Users enter:

- Total home square footage
- Square footage used for daycare
- Hours per week daycare is open
- Weeks per year daycare operates

Simplifi calculates the IRS-required **Time-Space Percentage**.

### **C. Automatic Allocation Engine**

When a transaction is assigned to a category marked “Home Daycare Allocation,” Simplifi automatically splits it into:

- **Business portion** (deductible)
- **Personal portion** (non-deductible)

This applies to:

- Utilities
- Rent / Mortgage Interest
- Home Insurance
- Repairs & Maintenance
- Internet
- Phone
- Depreciation-eligible items

### **Benefits to Simplifi Users**

- Eliminates hundreds of manual splits per year
- Ensures IRS-accurate reporting
- Reduces audit risk
- Makes Simplifi the best tool for home-based businesses

- Expands Simplifi’s appeal to a large user segment (home daycares, tutors, in-home therapists, etc.)

## ■ 2. Bulletproof IRS Alignment Justification

### *Why Simplifi Should Support Automatic Time-Space Allocation*

#### **IRS Rule #1 — Mixed-Use Expenses Must Be Allocated**

IRS Publication 587 requires daycare providers to allocate expenses that benefit both the home and the business. These include:

- Mortgage interest
- Rent
- Utilities
- Insurance
- Repairs
- Depreciation
- Internet
- Phone

These cannot be deducted at 100% because the home is used for both personal and business purposes.

#### **IRS Rule #2 — Daycare Providers Must Use the Time-Space Percentage**

Unlike standard home offices, daycare providers **must** use a two-part formula:

$$\text{Time-Space \%} = (\text{Space \%} \times \text{Time \%})$$

Where:

- **Space %** = daycare-used square footage ÷ total home square footage
- **Time %** = hours used for daycare ÷ total hours in the year

This formula is mandatory for all shared expenses.

#### **IRS Rule #3 — Shared Spaces Are Deductible for Daycares**

Daycare providers may deduct space used for:

- Living rooms
- Kitchens
- Bathrooms
- Play areas
- Outdoor areas

This makes the Time-Space % essential, because the business uses multiple rooms for mixed purposes.

#### **IRS Rule #4 — Allocation Must Be Consistent**

The IRS requires the same percentage to be applied consistently throughout the year. Manual splitting increases the risk of:

- Inconsistent percentages
- Incorrect deductions
- Audit exposure

Automated allocation ensures compliance.

#### **Why Simplifi Should Implement This Feature**

##### **1. It directly supports IRS compliance**

Simplifi would help users meet mandatory IRS rules without manual calculations.

##### **2. It reduces user error**

Incorrect allocations are a top audit trigger for home-based businesses.

##### **3. It saves users significant time**

A typical daycare provider processes:

- 12 months of utilities
- 12 months of rent/mortgage
- 12 months of insurance
- Dozens of repairs
- Dozens of internet/phone bills

Automating these splits saves **hours every month**.

##### **4. It positions Simplifi as the best tool for home-based businesses**

No major competitor currently automates Time-Space % allocation.

#### **3. Community-Friendly Version for the Simplifi Ideas Forum**

*Short, clear, and formatted exactly how the Simplifi team prefers*

**Feature Request: Automatic Home Daycare Expense Allocation (Time-Space %)**

Home daycare providers must allocate certain expenses—like utilities, rent, mortgage interest, repairs, insurance, and internet—between business and personal use using the IRS-required **Time-Space Percentage**.

Right now, Simplifi requires manual splits for every transaction. This is extremely time-consuming and increases the risk of errors.

### **What I'm Requesting**

Please add a feature that allows Simplifi to:

1. Let users enter their daycare's Time-Space %
2. Assign categories to "Home Daycare Allocation"
3. Automatically apply the percentage to all transactions in those categories

### **Why This Matters**

- Required by IRS rules (Publication 587, Schedule C, Form 8829)
- Saves hours of manual work
- Reduces audit risk
- Makes Simplifi far more useful for home-based businesses

This would be a huge improvement for anyone running a daycare or other home-based business with mixed-use expenses.