



Household Payroll Quick Facts for Employers

1. Congratulations, you are an employer!

When you hire a nanny, senior caregiver, or housekeeper to provide services in your private home, you become an employer. As an employer you have payroll tax, insurance and legal obligations. HWS has summarized your obligations below, and we are delighted to offer you a free telephone consultation with one of our household payroll experts to answer your questions.

2. HOUSEHOLD EMPLOYER tax obligations.

Household employers are required to collect and pay employment taxes when the annual wages paid will meet or exceed \$2100 (2018). The employer's contribution to the employment taxes is approximately 10% of the employee's gross (before tax deductions) wage. It is comprised primarily of Social Security and Medicare taxes (7.65%) and unemployment taxes.

Good news! [Tax breaks](#) available for dependent care expenses will typically offset the employer taxes for household employment.

3. The EMPLOYEE'S tax obligations.

Your household employee's tax obligations will typically reduce the gross wage by 15 - 25%. Your employee will contribute 7.65% to Social Security and Medicare taxes - *you* are responsible to collect this tax via payroll deductions and to pay both portions to the IRS. If you fail to collect, *you* remain obligated to pay this tax. Your employee will generally also have Federal (and state if applicable) income tax obligations.

3. The compliance process.

Many families find the process to be complicated and time consuming. A household employer must register with Federal and State taxing authorities to obtain tax ID numbers. You are also obligated to keep accurate and contemporaneous records of hours worked, payroll calculations and deductions. State employment taxes must be filed quarterly, and experts advise that you make quarterly federal tax payments. Additionally at the end of the year you will need to provide your employee(s) with a Form W-2 and will need to prepare and include a Schedule H with your annual Federal Form 1040.

4. Available employer tax breaks.

When you employ household staff to provide care to a dependent so you can work, you may become eligible for either a [Dependent Care Account](#) (monies are deducted from your payroll on a pre-tax basis to pay eligible expenses) or a [Child Care Tax Credit](#). These strategies can reduce your taxes by \$600 - \$2500! These tax incentives are only available with legal payroll.

4. Employee benefits.

Paid time off is not legally required; however, 2 - 3 weeks total paid time off is typical in the industry and experts agree that offering sick/personal/vacation time helps in employee retention. Many families find that contributing to employee health insurance, mass transit passes for commuting and educational assistance makes their position more attractive to professional nannies and domestic staff. Best of all, qualified payments for health insurance, mass transit passes and educational reimbursement may be tax free, providing tax savings to you and your employee.

"I could do this myself but HomeWork Solutions is so easy to work with. Dealing with seniors every day, I know the assurance that required paperwork is completed accurately, reliably and on time for senior care is invaluable"
- Stacy C., Attorney, Washington D.C.

"Please renew my annual service. I did find a new nanny, Mary Poppins to be exact ;-), and I will be needing your services again. Thanks for a great service!"
- Janine M., Mother, Cary, NC

5. Your employee benefits from being paid legally.

Nanny and senior caregiver positions in particular are transitory in nature - need for a full time caregiver will inevitably end. Employees who are paid legally have verifiable income (important for car loans and mortgages), verifiable residence (important for in-state tuition qualification), and will be eligible for unemployment compensation payments between jobs, and eventually Social Security and Medicare payments in their old age.

6. Understand basic labor laws - protect yourself!

Household employees are covered by the Fair Labor Standards Act. Your household employee is non-exempt, which means s/he is paid hourly, *not* a true salary. Make sure your work agreement reflects this! Overtime at 1.5 times the hourly rate of pay is required for ALL live out employees for hours over 40 in a week, and some states include live in employees in overtime. Contemporaneous time tracking is a best practice. 38 states require that you have a Workers' Compensation Insurance policy - HWS will help clients obtain this insurance.

7. Always offer the household worker a GROSS wage per hour.

Household employees are hourly wage workers under Federal law. A gross wage is the employee's earnings before any deductions. California requires that you provide your household employee a pay rate notice with the hourly and overtime wage rates defined. This insures that the employee knows her true pay rate, and helps you avoid unintended payroll and tax obligations. Your agreement should specify which taxes you will be deducting from the paycheck, and which the employee may be responsible for (income taxes for example). Be prepared with an approximation of the employee's net wage (take home) as this is an important consideration many household workers have when evaluating a position.

8. HWS is here to help!

Our trained staff is available weekdays to provide free telephone consultations and to assist you with a variety of issues, including:

- Calculating alternate payroll scenarios.
- Budgeting your total out of pocket expense.
- Converting a weekly wage into hourly rate terms.
- Asking general questions related to wages, benefits and labor law.

Simply call 800.899.3004 for a free consultation.

10. Outsourcing to HWS provides important peace of mind.

Families nationwide, just like yours, turn to HWS to pay their nanny or caregiver and deal with all of the fine points of payroll tax compliance. This provides important peace of mind that a team of qualified household payroll experts have your back. Your compliance protects your family against back wage claims from a disgruntled former employee, provides your employee with unemployment benefits when the need arises, and insures that you will not be knowingly submitting a false Federal income tax return! And if all this sounds like it is just "too much!" consider outsourcing some or all of the tax and payroll paperwork. We offer a variety of economical, tax deductible [service plans](#) - one is sure to fit your needs.

HomeWorkSolutions.com | (877) 899-3004 |

