



G-5 Guide to Household Payroll

Informational booklet for household employers
prepared for G-4 Staff sponsoring a G-5 domestic

G-5 Domestic Household Payroll

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Welcome!

HomeWork Solutions Inc. developed this Quick Start Guide specifically to assist staff members of international organizations who sponsor a G-5 domestic for work in their private household. We focus on G-5 sponsors that live in the metro Washington DC and New York City areas.

HomeWork Solutions has assisted G-4 staff members of international organizations with payroll and tax compliance issues for their sponsored G-5 domestics since 1994. Payroll and tax reporting in the United States has two components – Federal and State. Additionally G-4 staff members who sponsor a G-5 domestic must adhere to the standards as established by the U.S. Department of State as well as their sponsoring Organization's Code of Conduct.

Hundreds of G-4 visa holders turn to HomeWork Solutions every year to facilitate their payroll and payroll tax reporting. HomeWork Solutions provides periodic briefings on premise at several of the international organizations annually to further educate the G-4 staff member about their obligations under Federal and State law, the US State Department's standards, and their respective Organizations' Code of Conduct.

This guide will help you understand your responsibilities and obligations as a household employer.

HWS Will Help You Do the Right Thing

HWS knows that most families want to pay their household employees legally and to comply with all applicable rules and regulations. The hassle of figuring out the tax rules, securing the necessary tax accounts and dealing with all the paperwork and calculations can seem overwhelming. HWS was founded specifically to help families like yours to do the right thing with a minimum of fuss and bother.



It is complicated, but HWS can help!
Call **1-800-NANITAX (800-626-4829)**
for a free phone consultation.

HomeWork Solutions recommends that you review the entire G-5 Payroll Quick Start Guide before you begin the payroll tax process.

Responsibilities of an Employer of a G-5 Domestic

Your G-5 domestic is a household employee, and the G-4 sponsor is a household employer. As an employer of a G-5 domestic, you are subject to all US Federal and State tax and labor laws. These are described in more detail throughout this guide. Additionally, the US Department of State and your sponsoring organization's G-4 Code of Conduct impose additional obligations on the G-5 domestic's employer. These include:

- The G-5 domestic must be paid on a weekly or a bi-weekly basis. This means every week on the same day, or every other week on the same day. Friday is typical, but not mandatory.
- The G-5 domestic must be paid via a bank check or a direct deposit into a bank account owned by the G-5 domestic. The sponsoring G-4's name cannot be on the bank account. Cash payments are not permitted. Payments to a third party, including family members abroad, is not permitted.
- The G-5 domestic must be paid for a minimum of 35 hours per week for every week that the G-5 is physically present on US soil and physically able to work.
- Deductions for room and board are not permitted.
- An employment contract is mandatory and must satisfy all requirements of the US Department of State and the sponsoring organization.
- The G-5 domestic must have health insurance that complies with US law.
- The G-5 domestic is paid on an hourly basis, and must be paid at no less than the greater of the Federal, state or local applicable minimum wage.
- Accurate and contemporaneous time cards must be maintained.
- All gross wage calculations and deductions from the gross wage must be itemized on a pay period basis.
- The G-5 domestic may ONLY work for the G-4 visa holder who sponsored their visa. All tax documents must be in the sponsor's name.
- Any changes to the G-5's compensation must be memorialized in a contract addendum that is provided to the sponsoring agency's Visa service officer.

Employers are required to Pay “Nanny Taxes”

When you have a household employee you are required to pay payroll taxes. Although commonly referred to as “nanny taxes”, these taxes apply to all household employees, including maids, housekeepers, babysitters and elder care workers.

Employer taxes typically total about 10% of the employee’s wages and include:

- Employer Social Security and Medicare Taxes
- State and Federal Unemployment Taxes

Your household employee contributes to or pays:

- Employee Social Security and Medicare Taxes
- Federal/State/Local Income Taxes

Employers are solely responsible for remittance of ALL Social Security and Medicare (payroll) taxes. These taxes are part of the employer’s personal Federal Income Tax Return.

Did You Know...

Your household employee cannot pay their share of Social Security and Medicare taxes on their own - you either must deduct from their paycheck or agree to pay from your own funds.

Activities at Time of Hire

When you hire a household employee, you become an employer and you are required to complete paperwork for the Federal government, your state and for your own records, including:

1. The G-4 sponsor and the G-5 domestic must enter into an employment contract
2. Calculate employee tax withholding
3. Verify Employee's Social Security Number and employment eligibility
4. Draft a work agreement and document compensation - a Pay Rate Notice is required at time of hire
5. Register for Federal and State tax accounts and file the New Hire Report
6. Obtain Workers' Compensation and Disability Insurance
7. Explore Tax Credits

Did You Know...

The IRS estimates that household employment tax compliance takes 60 hours a year.

It is complicated, but HWS is here to help with turnkey solutions and expert staff who take care of this administrative hassle. Call **800.626.4829** for a free telephone consultation and simplify your "nanny tax" compliance.

The Work Agreement

Your employment contract, or work agreement, insures that you and your employee are on the same page regarding pay, benefits and scope of duties. A work agreement should include:

- The work schedule
- The scope of employee's duties
- Compensation, including regular and overtime rates of pay and the guaranteed weekly base pay (if offered)
- Frequency of payroll and the employer and employee tax obligations
- Paid time off agreement and specifics on paid holidays (if offered)
- Expense reimbursement policy
- For live-in employees, statement regarding the termination of tenancy rights when the employee terminates
- Confidentiality agreement
- Separation agreement, including return of family property (if applicable)

Did You Know...

The family with the "nightmare nanny" who refused to move out when fired could have avoided this mess with proper compensation and work agreements.

HWS has free templates to get you started. Call **800.626.4829** or download our free template at **www.homeworksolutions.com/nannyworkagreement**

Workers' Compensation and Disability Insurance

The District of Columbia, Maryland and New York State require household employers to purchase Workers' Compensation Insurance and/or Disability Insurance policies. Workers' Compensation protects the employer and employees from the expense of an on-the-job injury or accident. This is important - failure to obtain this policy in a timely manner can result in fines of \$10,000 or more!

HomeWork Solutions will introduce clients to our insurance partner, as it is difficult to find this coverage for household employment.

Did You Know...

Many families are surprised to learn that homeowner's insurance will not cover accidents or injuries to a household employee. Additionally, not all insurance agencies will issue Workers' Compensation insurance policies for household employees.

About Unemployment Taxes

- Unemployment taxes fund the government's unemployment insurance system and have both a State and Federal component. While it is true a G-5 domestic will never qualify for unemployment benefits, payment of this tax is mandatory at the Federal and state levels.
- It is illegal to deduct the employer unemployment tax from your employee's pay. Unemployment taxes are paid solely by the employer.
- The amount of your state unemployment tax is variable by state and by year. It is important that you maintain records on a year-to-date basis on each employee.
- Federal Unemployment Taxes (FUTA) are included in your personal Form 1040 Schedule H. The nominal Federal Unemployment Tax rate is 6% of the first \$7000 in wages paid to each employee. **When you pay state unemployment taxes in a timely fashion you receive a substantial federal unemployment tax credit and pay a reduced rate of 0.6% or no more than \$42 per employee per year.**

Expense Reimbursement

The employee may have other out of pocket expenses that s/he incurs in the course of the job. This can be picking up bread and milk at the grocery, cab fare, providing the child with school activity fee money, or entertainment such as movies or a McDonald's lunch. Many families find that a 'petty cash' fund of \$20 - \$50 that is replenished by the family regularly works well. The housekeeper or house manager is often provided a credit card by the employer for work related expenses. The worker should be required to provide documentation of all expenses - the grocery receipt or just a log of expenses. The employer should discuss in advance expenses the family is comfortable with (a weekly lunch out may be one) and expenses they wish to approve in advance (\$50 Circus tickets may be an example). If an employee pays for family expenses from personal funds, s/he should be promptly reimbursed by the family. Reimbursed expenses are NOT treated as income to the employee.

Tax Savings for YOU

Many G-4 sponsors who are married to U.S. citizens or green card holders are entitled to tax credits on their personal tax returns for childcare and senior care expenses. We recommend that you consult with your personal tax advisor to determine the strategy that is most appropriate for your situation. HWS is not licensed to provide income tax services.

Dependent Care Accounts

Many companies make Dependent Care Accounts, known as Cafeteria Plans or Flexible Spending Accounts, available to their employees. You should check with your employer's Human Resources Department to find out what is available to you.

What are these accounts? Authorized under the internal revenue code, dependent care accounts are a negotiated employee benefit. You may contribute "pre-tax" dollars, up to a maximum of \$5000 per year, into this account and use these monies to reimburse your dependent care expenses. These dollars contributed are sheltered from Federal and most state income taxes, reducing your taxable income. There are restrictions on these accounts. Your employer's Human Resources Department can provide you with details. This is typically the most beneficial option for household employers.

Child Care Credit

The Child Care Credit allows the employer of a nanny or other childcare provider to claim a tax credit on their personal income taxes. The amount of the credit varies by income and the number of children you have.

Other Information for Employers

Employee Benefits

- **Paid vacation and sick time:** Most employers 5 - 10 days of flexible paid time off. Three days paid time off is the minimum requirement in New York after one year of employment (DWBR), and New York City requires an additional 2 days of paid sick leave. Paid time off is taxed exactly the same way as regular wages. Remember, the G-5 domestic must at a minimum be paid for 35 hours a week, regardless of your vacation and sick time policies.
- **Health insurance:** G-4 household employers are legally obligated to insure that a health insurance policy is maintained for their G-5 domestic. The sponsoring organization determines if this is the financial responsibility of the G-4 sponsor. Please consult the visa office or global mobility to understand your obligations.
- **Six or more paid Federal holidays** are customary (New Years, Memorial Day, July 4, Labor Day, Thanksgiving and Christmas always). Be specific which days, if any, you are providing your household worker.
- **Guaranteed weekly base pay** – The G-5 domestic must be paid for a minimum of 35 hours per week for every week that the G-5 is physically present on U.S. soil and physically able to work.
- **Annual performance and wage reviews.** This is a best practice in all employment situations, one that is often overlooked by household employers.

Quick Steps: How to Pay Your G-5 domestic

If you elect to assume payroll and tax compliance roles yourself and your sponsoring organization permits this, you need to know this important information.

G-5 domestic must be paid every week or every other week, and the payroll must be based on an hourly rate of pay. Hourly rates must be broken out by the regular hourly rate and the overtime hourly rate. Wages cannot be stated as a weekly salary.

When negotiating wages with your G-5 domestic, you must distinguish gross and net wages: **gross wages** are the amount of wages before deductions for employee taxes and other deductions; **net wages** are wages after deductions, or the 'take home' amount of the paycheck. It is a best practice to agree to a gross wage, from which taxes are deducted.

G-4 Sponsors in New York: You are subject to the provisions of the [NY Domestic Workers' Bill of Rights](#) (DWBR), the NY Wage Theft Prevention Act (WTPA) and the Fair Labor Standards Act (FLSA) which stipulate specific minimum wage rules, overtime compensation, and required recordkeeping and pay notices. When the standards defined by the FLSA are in conflict with NYS law, the stricter of the competing standards is applied. **New York G-4 sponsors must pay their G-5 EVERY WEEK!**

G-4 Sponsors in the District of Columbia: You are subject to the DC Wage Theft Prevention Act and must provide your G-5 with a pay rate notice at the time of hire and annually in January.

You must...

- Define the work week – Saturday through Friday for example. This must remain constant once established.
- Keep accurate and contemporaneous record of days and hours worked.
- Pay on a weekly or bi-weekly basis (NY weekly only), on the established pay date. If you will be unavailable to make your payment on the regular pay date, you must make the payment in advance.
- Establish the hourly pay rate.
- For the live out domestic, you must pay the overtime rate of 1.5 times the hourly pay rate for hours worked in excess of 40 in the work week. For the live in domestic, overtime is defined in NY as hours worked in excess of 44 in a work week, and in Maryland as hours worked in excess of 40 in a work week. Live-in G-5 domestics in DC and VA must be paid for every hour worked, but are not entitled to an overtime rate.
- Determine the gross wage for the pay week by multiplying regular hours by the hourly pay rate and overtime hours by the overtime pay rate. The sum of the regular and overtime pay is the gross wage.
- Calculate Social Security & Medicare tax withholding. Employers may choose to withhold the employee's contribution from the worker's gross pay **or** may elect to pay both the employer and employee contributions from their own funds. Employers paying their employee's share of payroll taxes must include these taxes as income on the employee's Form W-2 Wage and Tax Statement at the end of the year.
- Calculate any income taxes you agreed to withhold from your employee's pay.
- Pay the household employee the net pay – the wage remaining after payroll and income tax withholdings. **YOU** must provide the employee a pay stub that documents all calculations and deductions and maintain the time card and payroll calculations for a period of 6 years from the pay date.
- You may pay by check or electronic transfer of funds (direct deposit) **ONLY**.

HWS' Complete Payroll will handle all payroll paperwork so you don't lift a finger!

Quick Steps: How to Pay the Employment Taxes

Household employers are required to report wages and remit payroll taxes periodically. These taxes include Social Security, Medicare, Federal and State unemployment taxes.

Wages paid in excess of \$2100 to any household worker in a calendar year are subject to Social Security and Medicare taxes whether they are full time, part-time or temporary employees. Wages paid to your spouse, your child under age 21, your parent or any employee under the age of 18, are exempt from these taxes. These amounts are added to YOUR personal Federal Income Tax return on Form 1040 Schedule H.

Unemployment taxes are typically paid quarterly. Withheld state/local income taxes are required to be paid quarterly or more frequently according to local law.

You Must...

- File and pay Unemployment Taxes.
- File and pay withheld Income Taxes (State and Local), generally on a quarterly basis.
- Complete and submit Form 1040 Schedule H at year end to calculate Federal employment taxes due.
- Provide your employee(s) a Form W-2 Wage and Tax Statement no later than January 31 for wages paid in the prior calendar year.
- File copies of all Forms W-2, with a W-3 transmittal, with the Social Security Administration no later than February 28 for wages paid in the prior calendar year.

Consider outsourcing the tax filings to HWS'. It's complicated, and we are here to help!

HWS Complete Household Payroll Services

Simple Paydays & Effortless Tax Reporting

Expert Employer Guidance

HWS clients appreciate that our enrollment specialists take the time to learn the specifics of their situation, and patiently guide them. We will:

- Obtain all of your tax account numbers
- Help you obtain workers' compensation insurance
- Help you understand your financial commitment

Most importantly, HWS listens to your concerns, and offers you the experience and resources to get the financial relationship with your household employee off on the right footing.



Simple Paydays



You are assigned a personal payroll representative who knows you and your situation. Payday couldn't be easier!

Automatic payroll is our client's most popular option. We will process your standard payroll every payday, without you having to lift a finger.

- OR -

Submit your payroll online, on the telephone or via email – whatever is easiest for you. We will remind you of paydays.

Employees love direct deposit payroll!

HWS will accurately calculate all deductions and tax amounts, and direct deposit to your nanny's (or housekeeper / senior caregiver/ maid / etc.) account. Paystub records are conveniently stored online and comply with the NY Wage Theft Protection Act.



Effortless Tax Compliance

Payroll clients don't ever worry about tax deadlines or late filing penalties.

- HWS will file the reports and pay the tax for you automatically, on time, guaranteed.
- You will receive email notice that this is all done. We even provide you an IRS link so you can check behind us if you wish!
- All end of year tax documents – including your employee's W-2 form – are prepared.
- Important documents are available online, available to you, your employee and your accountant.



Concierge Level Support

HWS' live household payroll experts await your questions every Monday – Friday from 8:30 AM – 7 PM EST. No waiting, no phone trees, just friendly expert advice and guidance. Unlimited support included.



We Take Care of Everything

HWS families can rest easy knowing that all labor and tax compliance items are taken care of by a HWS tax expert. If you are paying your nanny the same thing every week, we can even setup your payroll so it runs automatically without you ever having to do a thing.

This is All We Do

Household Payroll has many unique and often nuanced laws, specific regulations and exemptions that differ from corporate or business oriented payroll. Most payroll companies simply do not understand or handle household payroll issues properly. At HWS, we are focused solely on household payroll and domestic employment. It's all we do, it's all we have ever done.

Our Reputation is our Promise

Since 1993 HWS has helped tens of thousands of families through every conceivable household employment issue or challenge. We have been consulted by the Wall Street Journal, the New York Times, Fox and many other national media. Our knowledge, expertise and reputation are the reasons organizations such as the World Bank and IMF partner with us to insure their staff with domestic employees stay in compliance with all U.S., state and local laws. It's the reason most of our clients are referred to us from other clients, CPAs or referral agencies.

Friendly Expert Support

A live household tax and labor law expert awaits your questions every Monday – Friday from 8:30 AM – 7 PM EST – no waiting, no phone trees, just friendly expert advice. We offer a concierge level of service only a small, dedicated team can provide.

We Guarantee Our Work

When you use our payroll service, we guarantee your payroll tax returns will be filed accurately and timely, and all applicable payroll taxes will be paid on time. No notices, no penalties, no red tape, guaranteed!

Affordable Options

We offer three service options to meet your needs and budget and our low, quarterly, flat fees make our service very affordable no matter what your budget constraints are.

For our current fees please call 800.626.4829 or visit **homeworksolutions.com**



Questions?

HWS has worked with families like yours for more than 20 years. We specialize in household employment and understand the unique rules, exceptions and regulations that apply to your specific situation. Answering questions and providing expert guidance and friendly service to your family is our mission.

We speak to families like yours every day about issues like:

- Background Screening
- Nanny Share Arrangements
- Benefits
- Traveling/Vacationing with Your Nanny
- Compensating Overnight Stays
- Catch-up with Back Tax Obligations
- Nanny Housing and Live-In Situations



It is complicated, but HWS can help!
Call **1-800-NANITAX (800-626-4829)**
for a free phone consultation.

Copyright 2018 HomeWork Solutions, Inc. All rights reserved. This guide provides generalized information intended to help you understand your payroll tax obligations and reporting requirements. It is not intended as specific legal or tax advice. Your situation may differ from the norm, so you should consult with your lawyer or accountant if you have particular questions.

While the information contained herein is believed to be true and accurate as of the date of publication, the relevant regulation or laws may change, so make sure you are using up-to-date forms, tax rates and information.