

Hiring Household Help

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You may not realize it, but if you hire someone to babysit your kids and do light housework a few days a week in your home and you provide the supplies and equipment she needs to do the work, she's your employee. This is true even if she's only 12 years old.

I wrote an article about businesses hiring help and classifying them as either employees or [independent contractors](#) , and the same rules apply to individuals who hire household help.

If any of the workers you hire are household employees, then you, as their employer are required to pay and report payroll taxes.

Your requirements:

1. You and your employee must complete [Form I-9](#), Employment Eligibility Verification. Once completed keep it in a safe place just in case you are asked to present it.
2. You will need to get an employer identification number (EIN).
3. You must withhold Social Security (6.2% of their wages) and Medicare (1.45% of their wages) taxes from your employees wages. As their employer you are required to match the amount you withheld (7.65% of their wages) and submit all these taxes to the IRS. There are exceptions to this requirement, the most common one being if the employee is under age 18 and a student. You may also want to read my article about the [benefits of hiring your parents or children](#).
4. You do not have to withhold Federal Income Taxes, but you can if your employee wants you to. Just remember to remit everything that you withhold and owe to the IRS.
5. As their employer you are also required to pay Federal Unemployment taxes (6.2% or 0.8% with a credit of 5.4% if you pay all your state unemployment by April 15, 2007) on the first \$7,000 of their wages. This is NOT a withholding, but rather an amount you must pay. Again, there are exceptions which may allow you to avoid paying these taxes.
6. You may also be responsible for withholding states taxes.
7. If applicable, you can make advance payments of the earned income credit.
8. You must provide your employee with their W-2 by January 31, 2007.
9. You must file Copy A of [Form W-2](#) with the Social Security Administration by Feb. 28, 2007.
10. You must complete and attach Schedule H to your Form 1040 and include the full payment due by April 15, 2007.

Or you could just have your accountant take care of this for you.

And remember, payments for household help may qualify for the [child and dependent care credit](#).

Gina L. Gwozdz is a CPA who has chosen to specialize in taxes. Visit her website at <http://GLGcpa.com> to view more Tax Tip Articles.