



# Your Guide to Household Employment

What families need to know about  
payroll, taxes and HR.





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# Welcome to Care.com® HomePay<sup>SM</sup>

Household payroll. Nanny taxes. HR. Being a household employer can be complicated—and the paperwork can be daunting.

Care.com HomePay, provided by Breedlove, has helped tens of thousands of families navigate their household tax obligations for over 20 years. And we can do the same for you. Use this guide to discover what you need to know about household employment, and how we can help.

## Who's a household employer?

The IRS defines a household employer as someone who pays an individual to perform duties in or around their home and controls when, where, how or by whom the work should be performed. Household employees include nannies, medical caregivers, housekeepers, chefs, personal assistants, household managers, etc. Misclassifying these individuals as independent contractors can constitute tax evasion.

## Your tax obligations

Household employers have three primary tax responsibilities as part of their overall compliance:

### **Withholding**

Withhold social security, Medicare, and all applicable state taxes from their employee's pay each pay period. Income taxes should also be withheld in accordance with the employee's Form W-4 selections.

### **Benefits**

Pay the employer's portion of social security and Medicare as well as state and federal unemployment taxes. In some states, other small employer assessments may apply. (Families may be entitled to tax breaks if the employee provides care for a dependent. See page 5).

### **Taxes**

File state and federal employment tax returns and remit the employee and employer tax dollars to the appropriate tax agencies.

**HomePay Tip:** The IRS requires that the tax process be administered by you, the employer, and makes you responsible for compliance. So if your employee says he or she will take care of it, beware. Failure to comply can result in back taxes, penalties and interest.

## The household employer compliance checklist

Compliance helps protect you from expensive tax and legal problems, may entitle you to tax breaks, and provides your employee with critical short-term and long-term financial benefits. Families are required by law to meet the obligations outlined below:

- Obtain household employer tax IDs (federal and state)
- File New Hire Report
- Calculate employee tax withholdings and track all federal and state employer taxes
- Prepare and distribute paystubs
- File quarterly state employment tax returns and remit state tax dollars (employee withholdings as well as state employer taxes)
- File federal 1040-ES four times per year and remit federal taxes (employee withholdings as well as federal employer taxes)
- Prepare and distribute Form W-2 at year end
- Prepare and file all required year-end forms with the state and the Social Security Administration
- Prepare Schedule H and file with federal income tax return
- Read and respond to periodic state and federal government notices and alerts
- Monitor ever-changing tax and labor laws

Most accountants and financial advisors are not experts in this unique area of tax and payroll management. Discuss this checklist with your accountant and we would be happy to work with your tax preparer on your behalf.





## Tax breaks for dependent care expenses

Families with care expenses who meet the compliance requirements are entitled to at least one of the following tax breaks:

### **Flexible Spending Account (FSA)**

(also known as “Dependent Care Account”)

An FSA allows families to pay for a portion of childcare expenses using pre-tax dollars. It is administered through the HR department of many companies, so please see the HR department at your company for enrollment details.

### **Child or Dependent Care Tax Credit**

This tax credit allows families to itemize care-related expenses on Form 2441 when filing a federal income tax return.

For an estimate of your savings from tax breaks, visit [care.com/homepay](https://care.com/homepay).

## Overtime

Most household workers are protected by federal and state laws stating they must be paid time-and-a-half for all hours over 40 in a 7-day work week. (Live-in employees are generally excluded from overtime protection under federal law and most state laws)

If overtime is included in a salary, the salary must be broken into regular and overtime pay rates, and the employee must agree to the rates in writing.

For assistance with the language/calculations for your employment agreement, just give us a call at 888-273-3356.

**HomePay Tip:** There is no statute of limitations for overtime disputes, so it's important to have a written agreement addressing the specifics of regular and overtime pay. Without this documentation, judges often side with the employee.

## Business versus household payroll

Families who own a business are sometimes tempted to include their household employee within the company's payroll and tax reporting process. This could potentially be expensive and has been held to be illegal. The IRS has ruled that household employees are not direct contributors to the success of the business and, therefore, should be handled through the household payroll and reporting process.



## Workers' compensation insurance

Many states require household employers to carry workers' compensation insurance. This protects your employee against financial issues resulting from work-related illness or injury. A workers' comp policy can usually be obtained from your existing homeowner's insurance carrier. Call us or visit [care.com/homepay](https://care.com/homepay) for details about your own situation.

## Common HR issues

As a household employer, you will most likely encounter similar issues that businesses and corporations deal with in regards to employees:

- Paid time off
- Traveling with your employee
- Overnight stays
- Work eligibility
- Reimbursements
- Health insurance
- Unemployment
- Disability
- Nanny-share arrangements
- Raises & bonuses

If you have any questions about any of these topics, please give us a call and we will gladly offer some free advice based on your specific situation.

## Care.com® HomePay<sup>SM</sup>: your no-work, no-worry solution

Care.com HomePay, provided by Breedlove, is designed to take care of every one of your household tax obligations. In fact, that's all we do. We believe our unique approach to customers like you is why we've been a leader in the industry since 1992.

### **One contact. One partner.**

We can help you rest easy when it comes to household compliance. All items are reviewed by a single, accountable partner.

### **Your home is our focus.**

Households are subject to unique regulations, exceptions and exemptions. Most business-oriented payroll firms simply don't understand or handle these issues efficiently. We stay entirely focused on household issues.

### **We're there when you need us.**

Live payroll, tax and HR specialists will pick up when you call. And our family-friendly client site stores all your information, tools and archived documents. So you can get what you need, any time.

### **A relationship built on trust.**

We work hard to be efficient so we can keep our fees as low as possible. We charge one low, flat quarterly fee—after the work is completed at the end of the calendar quarter. Nothing hidden. No surprises.



Visit [care.com/homepay](https://care.com/homepay)  
to watch a brief video tour  
of our service.

## HomePay at-a-glance

From payday to tax time and every moment in between, we take care of everything—so you don't have to. Here's how:

### Payday

#### **Processing**

We calculate your withholdings each pay period and summarize it for you in a preview email right before payday.

### Taxes

#### **State and federal filings**

Before each deadline, we prepare your employment tax returns, send you preview copies and file all required returns with the appropriate tax agencies.

### Support

#### **Customized answers and advice**

Our specialists keep your employment profile at their fingertips so they are ready with answers tailored to your situation.

### **Adjustments**

Let your standard payroll run or modify your account whenever you feel like it. It's up to you.

### **Payments**

Your employee is paid effortlessly through Direct Deposit or, if you prefer, we can help you cut the paycheck yourself.

### **Distribution**

We send a detailed, professional paystub to your employee electronically and archive it online in your payroll history.

### **Tax remittance**

We'll tell you what's due and when, as well as remit the tax dollars to the various tax agencies for you before the deadline.

### **Return archival**

Each tax return is archived in your personal online account for easy access by you and your accountant.

### **Year-end processing**

We take care of your state and federal year-end obligations, including Form W-2, Form W-3, Schedule H and State Annual Reconciliation.

### **Fast and timely assistance**

A real, live tax specialist answers the phone when you call. You won't get hit with consulting fees or add-on packages; it's all included in our standard service.

### **Tax agency management**

We set ourselves up as your employer mailing address so we can manage correspondence and ever-changing tax laws for you.

### **Online account management**

You have secure online access to all of your records, tools and resources. You can even authorize your accountant or financial manager so they can help themselves.



Care.com HomePay is provided by Breedlove—the most recommended name in household payroll.

Breedlove's experience has been acknowledged in *The Wall Street Journal*, *The New York Times*, *Forbes*, *Fortune*, *Business Week*, *SmartMoney.com* and *The Economist*—just to name a few.

Let HomePay take care of all your household payroll and tax needs.

**Call 888-273-3356**

for a free consultation or

**Visit [care.com/homepay](https://care.com/homepay),**

for more information and a video tour of our services.



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