

## Taxes for Hiring In-Home Workers

**Note:** This discussion is not intended as tax advice. Each taxpayer's situation is unique. **Taxpayers are encouraged to consult a competent tax professional for specific advice before hiring in-home workers.** The following information is an overview of IRS Publication 926, *Household Employer's Tax Guide for Wages Paid in 2011*, (<http://www.irs.gov/pub/irs-pdf/p926.pdf>). Visit [www.irs.gov](http://www.irs.gov) for more tax information.

### Is the worker an employee?

An employee-employer relationship generally exists when the person for whom the services are performed has the right to control and direct the person who performs the services.

- Is the worker given instructions about when, where and how to do the work?
- Is there a continuing relationship between the worker and the person for whom the services are performed?
- Is the work performed on the premises of the person who receives services?
- Is the payment made by the hour, week, or month, rather than by the job?
- Do you provide the household equipment and supplies needed to perform duties?

If most of the above answers are yes, then the worker **is an employee**.

### Are you the employer?

- A **self-employed** worker usually provides his or her own tools and offers services to the general public in an independent business. A self-employed worker also controls how and when the work is completed.
- If an agency provides the worker and controls what work is done and how it is done, the worker is the **agency's employee**.
- If the worker is not self-employed and is not an agency's employee, **you** are the **employer** and the worker is **your employee**.

### What are your responsibilities as an employer?

- Form I-9, Employment Eligibility Verification

When you hire a household employee to work for you on a regular basis, you and the employee must complete this form from the Immigration and Naturalization Service (INS) before the first day of work. You can obtain this from the United States Citizenship and Immigration Services website (<http://www.uscis.gov/files/form/i-9.pdf>).

- Obtain an Employer Identification Number (EIN). Call (800) 829-3676; file Form SS-4
- Obtain the Employee's Social Security Number (SSN).

#### ❑ **Social Security and Medicare Taxes**

You must withhold and pay social security (FICA) and Medicare taxes on wages you pay to the worker if the payments total **\$1,700 or more** in the 2009 calendar year. Employer and employee share these taxes equally. Each contributes 6.2% on wages for FICA and 1.45% on **all** wages for Medicare. You are responsible for payment of your employee's share of the taxes as well as your own. You can either withhold your employee's share from the employee's wages or pay it from your own funds.

#### ❑ **FUTA (Federal Unemployment Taxes)**

You must pay FUTA on wages you pay to the companion if the payments for services total \$1,000 or more in any calendar quarter (January-March, April-June, July-September, or October-December) in 2007 at 0.08%-6.2% of cash wages. There is no employee portion. Register for FUTA (federal unemployment taxes) through the Missouri Division of Employment Security-- **(573) 751-3340**; or the Illinois Department of Employment Security—**(312) 793-1900**. Also inquire about whether you have to pay **state unemployment taxes**.

#### ❑ **City of St. Louis Earnings Tax**

If an employer or employee live within the City of St. Louis, only the employee is required to pay a 1% City Earnings Tax.

#### ❑ **Withholding Tax**

You are not required to withhold federal income tax from wages you pay an in-home worker. You should withhold federal income tax only if the companion asks you to withhold it and you agree. The employee must give you a **completed Form W-4, *Employee's Withholding Allowance Certificate*** (<http://www.irs.gov/pub/irs-pdf/fw4.pdf>).

You are responsible for paying the companion's withholdings to the IRS if you agree to withhold. If you or the companion want to cease the withholding, it is possible by letting the other know in writing. Any income tax you pay for your employee without withholding it from the companion's wages must be included in the employee's wages for federal income tax purposes. It also must be included in social security and Medicare wages and in FUTA wages.

#### ❑ **Earned Income Credit (EIC)**

Certain workers can take EIC on their federal income tax return. EIC reduces their tax or allows them to receive a payment from the IRS. You may have to make advance payments of part of your household employee's EIC along with the employee's wages. You also may have to give your employee a notice about the EIC. For more information, visit the IRS web site or consult a tax specialist.

### **What should you know about paying the employment taxes?**

When you file your 2007 federal income tax return in 2008, attach Schedule H, *Household Employment Taxes*, to your Form 1040. Use Schedule H to figure your total household employment taxes (social security, Medicare, FUTA, and withheld federal income taxes). Add these household employment taxes to your income tax. Pay the amount due by **April 15, 2008**.

### **What records should you keep?**

The Internal Revenue Service recommends keeping these records:

- Your employee's cash and non-cash wages.
- Any employee social security tax you withhold or agree to pay for your employee.
- Any employee Medicare tax you withhold or agree to pay for your employee.
- Any federal income tax you withhold.
- Any advance EIC (Earned Income Credit) payments you make.
- Any state employment taxes you withhold.