

Hiring In-Home Helpers: You, the Payroll Manager

by Luciana Cramer, Care Specialist

Most of us want to remain in our own home as we age and with our rapidly aging population there is an increasing need for care in the home.

Family members who may be willing to take some caregiving responsibilities have a difficult time juggling the intensive demands of caregiving with their other obligations, such as holding a paying job, raising their own children, marriage and self care. When caring for a loved one with dementia, the caregiving needs are even more demanding. Somewhere in between stages 5 and 6 of dementia there comes a point when patients require 24/7 supervision and/or assistance, making it impossible for family caregivers providing care by themselves.

Many families opt to hire additional professional in-home care. Good professional assistance in the home may extend the time seniors can remain in their own home by increasing safety and providing family members with much needed respite.

When considering who will be providing the additional care, contracting with an in-home care agency can be a great option.

In-home care agencies provide personal and domestic in-home services and senior care management including personal hygiene, dressing, medication supervision, meal preparation, light housekeeping, laundry, transportation and companion care.

Some agencies have a team of professionals specialized in diverse areas of caregiving, varying from basic companion care to more skilled levels of services including nursing, fiduciary and senior care management. These agencies allow the client flexibility to adjust care without having to search for more skilled help when it becomes needed, often in the middle of an emergency. They are also bonded and insured, assuming the responsibilities and liabilities for the workers' training, employment, payroll taxes and management.

In-home care agencies can provide excellent quality of care and peace of mind to family caregivers. There are a number of agencies available in your area. Contact them, ask about what specific services they provide and compare services and prices.



Rather than becoming a client of an in-home care agency, some families prefer to hire their caregivers directly, thus becoming *household employers* and assuming the responsibility for all fiscal obligations related to employment. Failing to comply with employers obligations may result in penalties.

Consider the case of Mrs. H, who had been caring for her husband afflicted with Lewy Body dementia for 5 years when she realized that she could no longer continue to care for him at home by herself. She needed help with transfers, personal hygiene and light supervision while she was out of the home. Mrs. H hired M, a loving, experienced caregiver who moved into the home and provided great assistance for 2 years, before Mr. H passed away. A week after Mr. H's passing, M filed for unemployment. Mrs. H had paid for M's services in cash and not complied with taxes and contributions on behalf of her employee. Mrs. H was investigated, sued and charged with stiff penalties.

Here are some of the things all household employers should know when considering hiring a caregiver independently:

Home Safety

Screen your applicants thoroughly! Check references, do background checks, ask for certificates. Although there are many reliable and competent caregivers working independently, seniors are prime targets for abuse. You need to take all precautions to ensure that your helper is in good faith.

Removing and securing all valuables from the home is recommended.

Make sure you leave information, lists and clear instructions for all caregivers.

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California Central Coast Chapter

Santa Barbara County
1528 Chapala St., #204
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Tel: 805.892.4259

120 E. Jones St, #113
Santa Maria, CA 93454
Tel: 805.636.6432

San Luis Obispo County
71 Zaca Ln Suite 110
San Luis Obispo, CA 93401
Tel: 805.547.3830

Ventura County
2580 E. Main St Suite 201
Ventura, CA 93003
Tel: 805.494.5200

24-Hour Helpline:
800.272.3900

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alzheimer's  association® **Tips**

BE CERTAIN to leave information, lists and instructions for all caregivers:

- ◆ Daily schedule
- ◆ Doctor's name and number
- ◆ Closest relative's or friend's name and number
- ◆ Activities your loved one enjoys doing
- ◆ Things that upset your loved one
- ◆ Meal menus and snacks – what and when
- ◆ Medications – what and when

 **Tools:**

What Now? A Caregivers Guide and Resource Manual. Available for free download at alz.org/cacentral/documents/wn_web.pdf or for purchase (\$15) at your local office.

IRS Household Employers Tax Guide, for use in 2014. Available at irs.gov/pub/irs-pdf/p926.pdf

Contact your local Alzheimer's Association office for a listing of in-home care agencies in your area.

Support groups can be a great source of information regarding personal experiences with in-home care agencies and private caregivers.

Best rated background check sites include [PeopleSmart](#), [Instant Check-Mate](#), [IDtrue](#), [Peoplefinders](#) and [Intelius](#). Prices vary between \$12 and \$40.

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Write a clear job description with schedules, responsibilities and what is expected of the caregiver.

Immigration Status

All employers must make sure an employee is eligible to work in the United States and file an [I-9 form](#), which contains instructions on how to verify eligibility.

Employer Identification Number (EIN)

Household employers do not need a business license, but they do need an EIN, which is not the same as a social security number. You can obtain an EIN by applying on-line on the [I.R.S. Web site](#). EINs are provided free of charge and will be used on tax forms you file for your employee.

Social Security and Medicare Taxes

If you pay a household employee cash wages of a specified amount or more in a calendar year (\$1,800 or more for 2013, \$1,900 or more for 2014), you generally must withhold 6.2% of social security and 1.45% of Medicare taxes from all wages you pay to that employee. Unless you prefer to pay your employee's share of social security and Medicare taxes from your own funds, you should withhold 7.65 percent from each payment of cash wages made.

Federal Income Tax Withholding

You are not required to withhold federal income tax from wages you pay to a household employee. However, if your employee asks you to withhold federal income tax and you agree, you will need a completed [Form W-4, Employee's Withholding Allowance Certificate](#) from your employee.

Form W-2, Wage and Tax Statement

You will need to complete [Form W-2, Wage and Tax Statement](#), for each employee. You will also need a [Form W-3, Transmittal of Wage and Tax Statement](#). You'll also have to file [Schedule H](#), the household employment tax form, with your own federal tax return each April.

Federal Unemployment Tax Act (FUTA)

If you paid wages to household employees totaling more than \$1,000 in any calendar quarter during the calendar year or the prior year, you generally must pay federal unemployment tax (FUTA) tax on the first \$7,000 of wages you pay to each household employee. Generally, you can take a credit against your FUTA tax liability for amounts you paid into state unemployment funds. A state that has not repaid money it borrowed from the federal government to pay unemployment benefits is a "credit reduction state." If you paid wages that are subject to the unemployment compensation laws of a credit reduction state, your FUTA tax credit may be reduced.

**State Payroll Taxes**

In addition to Federal taxes, employers also pay and/or withhold State payroll taxes. These may include Employment Training tax, State Disability Insurance, Personal Income tax and Unemployment taxes.

Workers' Compensation Insurance

Many States, including California, require employers to have workers' compensation insurance even if they have only one employee. Visit taxes.ca.gov to learn more about the State payroll tax obligations.

Record Keeping

Keep copies of every time sheet, pay stub, every form you file and proof of all payments from your bank. The I.R.S. suggests keeping records for at least four years after the due date of your tax return or the date you actually paid the taxes, whichever is later.

Considering all that could go wrong when failing to comply with household employer's obligations, it makes sense to contract a payroll agency, such as [PayChex](#), [NannyChex](#) or [HomeWork Solutions](#). They can take sure all the deductions are observed and keep in touch with any changes in the laws.

You may also use a do-it-yourself software, such as the one provided by [NannyPay.com](#).

While there is excellent care available when contracting an in-home care agency as well as when hiring independent workers, there are pros and cons in both options. Hourly cost of services is an important factor to be considered, but certainly not the only factor. When hiring in-home care assistance, please take all of the above factors into account.

