

From the desk of Peter S. Muffoletto, C.P.A.

Household Employment Tax Filings are due January 31!

If you have employed household employees who you have paid more than \$2,100 in 2019, you are required to file your Employment Tax Returns no later than January 31, and issue the appropriate W2's.

Household workers include nannies, in-home senior caregivers, after-school help, summer help, housekeepers, chefs, chauffeurs, estate managers, and others.

Should you pay an employee \$1,000 or more in any calendar quarter you are also liable for federal (FUTA) and state (SUI) unemployment taxes.

FUTA is six percent on the first \$7,000 in cash wages paid to a household employee.

SUI rates vary by state and you can reduce a client's FUTA rate based on their state contributions.

Ideally if you employ household help you have been tracking the employee's hours, and you have been remitting household employment taxes on a quarterly basis.

The employee should have been paid at least minimum wage and received overtime pay according to applicable wage laws.

Typically overtime is time and a half for hours worked over 40 in a seven-day workweek.

State laws may vary and rules for live-in employees could differ.

Household employees must also be paid hourly according to the Fair Labor Standards Act and shouldn't be considered salaried workers.

Prepare Form W-2 for the Employee

Like employees in the traditional workforce household workers need to receive Form W-2 by January 31, 2020.

As with traditional employees, you must obtain all of the required employment documentation, including Form W4, I9.

If you are in California do not under any circumstances attempt to classify an employee as an independent contractor and issue them a 1099.

This can be considered felony tax evasion as you are shifting the entire tax obligation (employer and employee) to the worker, and under the new AB5 rules a non-employee status is almost impossible to obtain under California law.

The IRS also considers household workers to be employees and not independent contractors.

File Form W-2 and Form W-3 SSA

By January 31, 2020 you are required to file Copy A of Form W-2 and Form W-3 (Transmittal of Wage and Tax Statements) with the Social Security Administration.

All employers including families with household help are required to file Form W-3 to report their employee wages and tax withholdings.

This applies even if you have only one employee.

Employee Wages are Applicable for the Child and Dependent Care Tax Credit

One way the IRS, and many States determine if you have household employees is that those same employees tend to claim tax credits on their tax returns, and therefore the path leads back to you, and if you have not filed the appropriate employment tax returns, you may find yourself in the middle of a tax evasion audit. Not a good place to find yourself over an employee you failed to report to the IRS, and State tax authorities.

Another path to audit is when your employees file for unemployment benefits, and list you as a prior employer – this leads to an immediate audit, and the collection of taxes that can reach back years, and in those many cases we have defended, it is costly, and for the most part a financial disaster.

Schedule H

Schedule H is the alternative form for filing household employment taxes.

Schedule H reports the household employment taxes, Social Security, Medicare, and federal unemployment taxes.

This form is filed with your personal tax return, but has limited use in that it does not comply with the issuance of the required W2's, but merely assists in you paying the appropriate employment taxes.

Check with your Insurance Agent

If you employ anyone in your home be sure to obtain the appropriate insurance including Workmen's Compensation Insurance.

We here at Muffoletto & Company believe that the more informed you are in regards to the rules and regulations that affect you the more we can be of service.

**Should you have questions relating to any tax or financial matters call at
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