



Your Guide to Household Employer Taxes

Now that you've found the perfect helper(s) to keep your home humming, you'll want to make sure you are paying them correctly.

While it may be convenient, it's illegal and often costly to pay household workers "under the table". Failing to pay household employer taxes can cost you thousands of dollars in fines and penalties.

Successfully navigating household employer taxes means:

- ✓ Avoiding costly fines and penalties
- ✓ Protecting yourself as an employer
- ✓ Helping employee(s) build their resume and provide proof of employment
- ✓ Ensuring employee(s) receive the Social Security and Medicare benefits they are entitled to when they retire.

This Household Employer Tax Guide helps you understand:

- ✓ Who qualifies as a household employee
- ✓ How to calculate household employer tax
- ✓ Tax credits available for household employers
- ✓ An initial list of tax forms household employers need
- ✓ How a payroll service like [SurePayroll](#) can keep your household running smoothly

What is a Household Employee?

The following workers typically qualify as household employees, which means their wages are subject to payroll taxes, sometimes referred to as the nanny tax:



- ✓ Nannies
- ✓ Babysitters
- ✓ Caretakers
- ✓ Home health care workers
- ✓ Cooks
- ✓ Gardeners
- ✓ Housekeepers
- ✓ Maids
- ✓ Others who work in or around your home

The IRS considers workers household employees when the employer controls their work or sets requirements on [how the work will be done](#).

What is Household Employer Tax?

Household employer tax is a combination of federal and state tax requirements that a household employer must manage. Household employers are typically responsible for paying and withholding Social Security, Medicare and/or federal unemployment tax, depending on the employee's income.

The household employer tax applies to you if you will pay your household employee:

- ✓ More than \$2,600 in 2023, you must withhold and pay Social Security and Medicare taxes on all their wages. That means deducting 7.65% from your employee's pay as well as paying the 7.65% employer portion.
- ✓ \$1,000 or more in any quarter in 2023, you must pay the federal unemployment tax (FUTA), which is 0.60% of FUTA wages. FUTA wages are capped at the first \$7,000 of cash wages for the year. You may also be required to pay state unemployment taxes, which varies [by state](#).

Household employers are also responsible for meeting state requirements, including:

- ✓ Carrying worker's compensation insurance, which is legally required in almost every state
- ✓ Adhering to state-mandated family medical leave programs.

Are There Exceptions to Household Employer Taxes?

The IRS does make a few exceptions, including payments to spouses, your children under the age of 21. Details are outlined in [IRS Publication 926](#).

Child and Dependent Care Tax Credits

Families can take advantage of significant tax breaks when legally paying household employees for child and dependent care services. Many discover their tax liability can be reduced by \$250 to \$1,200 per year through:

- ✓ **Pretax Flexible Spending Accounts.** Some companies offer these accounts – sometimes called cafeteria plans – which allow employees to contribute a certain amount of their pretax salary to spend on qualifying payments like childcare. Check with your accountant or other tax professional to see if you can take advantage of this benefit.
- ✓ **The Child and Dependent Care Tax Credit.** This can provide you with up to 35% of your childcare costs in the form of a tax credit, depending on your adjusted gross income. To receive this credit, you must include [Form W-10](#) and [Form 2441](#) with your annual federal tax return.

There are restrictions on both options, so be sure to check with your accountant or other tax professional about your eligibility.

Household Employer Tax Forms

As a household employer, you'll need several tax forms to report employee wages and taxes. Here are the most important:

- ✓ **Form SS-4:** Fill out Form SS-4 or apply online through the IRS to obtain your [Employer Identification Number \(EIN\)](#), which you'll need for tax filing. It is not acceptable to use your Social Security number for household employer payroll tax filing.
- ✓ **Form W-2:** Fill out Form W-2 if you pay Social Security and Medicare wages of \$2,600 or more, and give Copies B, C and 2 to your household employee. Copy A (along with Form W-3) goes to the Social Security Administration.
- ✓ **Schedule H:** If you pay your household employee cash wages of \$2,600 or more, you will need a Schedule H. When you file your personal tax return, you will include the Schedule H with the Form 1040.
- ✓ **Form 1040:** This is needed when you file your federal tax return, you will attach the Schedule H to Form 1040. Pay by April 18, 2023 for 2022 taxes.

Check our [Payroll Guide](#) for a full list.

With **SurePayroll** in your corner, you'll **save the time and hassle** of managing the pesky details of household payroll taxes.

877-954-7873



How Can a Payroll Service Help with Household Taxes?

SurePayroll offers families expertise they can count on to keep their household payroll obligations running smoothly.

We help families manage household employee pay, calculate taxes and stay compliant with federal and local tax rules.

Simplify the Complex

- ✓ Run payroll online anytime, from anywhere
- ✓ Save time by running payroll automatically by enabling the auto payroll feature
- ✓ Provide direct deposit and online paystubs to your employees
- ✓ Automatically track sick and paid time off every time you run payroll
- ✓ Get support from a U.S.-based customer care team available in the ways that best meet your needs: phone, chat or email
- ✓ Leverage a complete set of online resources for guidance on common topics

Tax Service Guarantee

- ✓ Federal, state and local payroll taxes automatically paid and filed for you
- ✓ 1040-ES automatically filed on your behalf
- ✓ Signature-ready Schedule H to attach to your annual 1040 form

Start 2023 on Sure Footing

Whether you're paying one employee or more, now is the perfect time to try [SurePayroll](#). **Try us with no sign-up fees, ever.** The best part – we partner with you every step of the way.

Ready to start your free trial?

[Get My Payroll Quote](#)



2023 Bank Holidays

Start the New Year right by planning ahead for all federal / banking holidays:

Bank holidays are days when financial institutions are closed. If you pay employees via direct deposit, and payday falls on a bank holiday, your employees won't get paid that day.

Our advice: If your payday falls on a bank holiday, plan ahead to make sure you run payroll a day earlier so your employees get paid before the holiday.



[Get My Payroll Quote](#)

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