

whose physical or mental condition prevents him or her from caring for your child.

4) An employee under age 18 at any time during the year. **Exception:** Count these wages if providing household services is the employee's principal occupation. If the employee is a student, providing household services is not considered to be his or her principal occupation.

## FUTA

The federal unemployment tax is part of a federal program that pays unemployment compensation to workers who lose their job. Like most employers, you may owe both the federal unemployment tax (FUTA) and a state unemployment tax. The FUTA is 6.2% of your employee's FUTA wages. However, you may be able to take a credit of up to 5.4% against FUTA tax, resulting in a net tax rate of 0.6%. **Note:** FUTA tax is not withheld from employee's wages. You must pay FUTA from your own funds.

## FUTA Wages

Figure the FUTA tax on FUTA wages paid. If you pay cash wages to all your household employees totaling \$1,000 or more in any calendar quarter of 2012 or 2013, the first \$7,000 of cash wages you pay to each household employee in 2013 is FUTA wages. If your employee's cash wages reach \$7,000 during the year, do not figure FUTA tax on any wages paid to that employee during the rest of the year.

## Federal Income Tax Withholding

You are not required to withhold federal income tax from wages you pay a household employee. You should withhold federal income tax only if your household employee asks you to withhold it and you agree.

## State Employment Taxes

If you do not need to pay FICA or FUTA tax and do not choose to withhold federal income tax, you may still need to pay state unemployment tax or carry workers' compensation insurance.

## Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 70½.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of \$5,000.

This brochure contains general information for taxpayers and should not be relied upon as the only source of authority. Taxpayers should seek professional tax advice for more information.

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# Household Employees



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## Household Employees

If you have a household employee, you may need to withhold and pay Social Security and Medicare taxes (FICA), pay federal unemployment tax (FUTA), or both.

### Workers Who Are Household Employees

A household employee is an employee hired to do household work. The worker is an employee if you can control both what and how work is done. It does not matter whether the work is full time or part time or that the worker was hired through an agency or association. It also does not matter whether the worker is paid on an hourly, daily, or weekly basis, or by the job.

**Note:** If the worker usually provides his or her own work tools and offers services to the general public, he or she is an independent contractor and not a household employee.

### Household Workers

Some examples of workers who do household work include the following.

- Babysitters
- Caretakers
- Domestic workers
- Drivers
- Health aides
- House cleaning workers
- Housekeepers
- Maids
- Nannies
- Private nurses
- Yard workers

### Workers Who Are Not Household Employees

If only the worker can control how the work is done, the worker is not a household employee but is self-employed. A self-employed worker

usually provides his or her own tools and offers services to the general public as an independent business. A worker who performs child care services in his or her home generally is not a household employee. If an agency provides the worker and controls what work is done, the worker is not a household employee.

## Household Employment Taxes

Taxpayers with household employees must file Schedule H, *Household Employment Taxes*, with their Form 1040 to report FICA (Social Security and Medicare) tax, FUTA (federal unemployment) tax, and federal income tax withholding (if any).

Form W-2 must be filed for each household employee who was paid Social Security or Medicare wages of \$1,800 or more, or wages of any amount if federal income tax was withheld.

Taxpayers who are required to file Schedule H with their 2013 individual tax returns must obtain an Employer Identification Number (EIN) by January 31, 2014.

### FICA

The Social Security tax pays for old-age, survivors, and disability benefits for workers and their families. The Medicare tax pays for hospital insurance. Both the employer and the household employee may owe Social Security and Medicare taxes. For 2013, the employer share is 7.65% (6.2% for Social Security tax and 1.45% for Medicare tax) of the employee's FICA wages. For 2013, the employee's share is 7.65% (6.2% for Social Security tax and 1.45% for Medicare tax). The employer is responsible for remitting both the employee's and employer's share of the taxes. Typically, the employee's

share is withheld from the employee's wages and submitted with the employer's payment.

### Figuring FICA Taxes

FICA taxes on Social Security and Medicare wages paid to household employees are figured by the employer.

If you pay your household employee cash wages of \$1,800 or more in 2013, all cash wages you pay to that employee in 2013, up to \$113,700, (regardless of when the wages were earned) are Social Security wages and all cash wages are Medicare wages. However, any noncash wages paid do not count as FICA wages.

If you pay the employee less than \$1,800 in cash wages in 2013, none of the wages are FICA wages and neither you nor the employee will owe FICA taxes on those wages.

### Cash Wages

Cash wages include wages paid by check, money order, etc. Cash wages do not include the value of food, lodging, clothing, and other noncash items you give your household employee. However, cash you give your employee in place of these items is included in cash wages.

### Wages Not Counted

Do not count wages paid to any of the following individuals as FICA wages.

- 1) Your spouse.
- 2) Your child who is under age 21.
- 3) Your parent. **Exception:** Count these wages if your parent cares for your child who is either under age 18 or has a physical or mental condition that requires personal care by an adult, and your marital status is either divorced, widowed, or living with a spouse