

In the “nanny world”, the temptation to accept a job that pays CASH (off the books, no payroll or income tax reporting) is faced by every nanny. After all, who LIKES to pay taxes? Professional nannies know, however, that being paid legally is ultimately in their own best interest. Why?

Unemployment Benefits:

Nanny jobs are, by their nature, not permanent positions. The children will grow and move on to school. The family’s child care needs change dramatically from full time, to part time, to after school or before school only. The full time nanny typically will have to move on every few years. The experienced, professional nanny knows that short term unemployment benefits are a life saver to bridge the time, planned or unplanned, between jobs.

While it is true that you can apply for and receive unemployment benefits even if you were paid cash only, your benefits will be delayed and you will eventually be faced with penalties for failure to file and pay your own income tax returns.

Verifiable Income:

Whether you want to buy a home, rent an apartment, purchase a car, or just qualify for a cell phone plan, at some time or other, you will need to have verifiable income. Verifiable income means you can prove to the bank, loan officer, landlord or retailer that you have a record of consistent income sufficient to meet your proposed financial obligations – either pay check stubs, direct deposit advices, bank statements witnessing the deposit of regular pay, and/or tax returns.

Workers’ Compensation Coverage:

Any nanny can suffer an on the job injury that will require medical care (and cost), and that can keep her out of work either temporarily or permanently. Your employer may only obtain workers’ compensation insurance – insurance that would cover these medical bills and lost wages – if your income is on the books. If you are not being paid legally, your only option if you suffer an injury is to sue your employers – a costly and time consuming proposition.

Social Security & Medicare Benefits:

Eventually you will retire and need retirement income. If you did not pay into the system you will not qualify for future benefits.

Tax Credits:

In recent years there have been several stimulus programs that put money into workers pockets. Often, for lower income workers, these “Making Work Pay” programs provided refundable credits that were more than the workers’ income taxes! Additionally, 22 states, the District of Columbia, New York City and Montgomery County MD have offered tax credits to low income wage earners.

It’s the law!

Tax evasion is a crime. You will sleep better knowing this is being taken care of.

Are you searching for a job through a referral agency? Ask your agency if they partner with HomeWork Solutions. They can provide your new employer valuable complimentary services to help get your payroll set up the right way from the start.

*Never have to remind your employer that it is pay day again. Never have to run to the bank, after work, in the dark, when it is raining to cash your pay check. Ask for **Direct Deposit** – important peace of mind.*

Misunderstandings between the household employer and their staff on compensation and the financial terms and conditions of employment can torpedo the relationship.

Kathleen Webb
President
HomeWork Solutions Inc.



Frequently Asked Questions

1. I am starting a job as a nanny (housekeeper or other domestic). What taxes do I have to pay?

Congratulations! If you will be paid \$1900 (2014) or more in a calendar year, your payroll tax obligations may include Social Security and Medicare taxes, as well as state and Federal income taxes. You can use the free payroll tax calculator at <http://www.4nannytaxes.com/calculator/> to learn how much you will take home after tax deductions.

2. Can't I just be an independent contractor and pay my own taxes?

The simple answer is no. The IRS defines household employees as “nannies, housekeepers, maids, cooks, elder care givers, household managers, and others, employed in domestic service in a private residence”. The IRS is very clear that nannies are employees, NOT independent contractors, and that the family you work for, the household employer, is ultimately responsible for the reporting and remittance of household employment taxes. When you file as an ‘independent contractor’ you pay 7.65% more tax – tax that should properly be paid by the family - and lose the protections of workers’ compensation insurance. Additionally, if you ever need to file for unemployment insurance your claim can be delayed by many weeks as the benefits administrators investigate your employment history – and trigger unpleasant back tax obligations for your former employer.

3. This sounds expensive! I hate paying taxes!

We have good news for you – being paid legally may qualify you for tax savings! There have been a series of refundable tax credits made available to low income wage earners in the last decade. These can total more than any tax you might have owed. You can only claim these tax benefits when you are paid on the books!

4. Ok, what do I have to do?

Your employer will ask you to fill out two documents when you start working. The IRS Form W-4 will collect your legal name, address, SSN and information on how you want your income taxes deducted. Your employer may agree to deduct (withhold) your income taxes, or s/he may ask you to pay these directly. Use our free payroll tax calculator at <http://www.4nannytaxes.com/calculator/> to figure out how much income tax you will owe – or if you want help, call us toll free at 800.626.4829. The DHS I-9 form will verify your legal eligibility to work in the United States.

5. Are there other rules and regulations I need to know about?

The [expanded FAQs](#) at the 4nannytaxes.com website will walk you through many important issues. We also have a series of [tip sheets](#) that will help with negotiating the work agreement, pay and benefits. Most benefits and conditions of employment are negotiated between you and your employer – insist on a written Work Agreement to write down the details. Your referral agency can help.

Expanded FAQ Available Online

<http://www.4nannytaxes.com/FAQ>

CALL 800.626.4829

Resources:

- [Interview Questions Nannies Should Ask](#)
- [The Art of the Nanny Job Interview](#)



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