

Nannies, Housekeepers and Caregivers: Paying Household Employee Taxes

If you will pay someone to provide services within your home more than \$1,800 in 2012 (\$1,700 in 2011), you will be subject to federal and state taxes on their wages. You may also be liable for the employee portion of payroll taxes, if you have not withheld these amounts from their paychecks. Household employees typically include babysitters, housekeepers, personal chefs and other care providers. These are individuals who work in your home and provide personal services to your family.

If you believe you have a household employee that is not paid through a payroll vendor, please let us know. We can assist you with the filing requirements and any estimated tax payments. The information below is intended as a useful guide to understanding employer taxes and filing deadlines. This summary is not intended to be comprehensive as these calculations are complex and are subject to change. Please contact our office or your payroll advisor with any questions.

Federal Taxes

Federal employer payroll taxes and employee withholdings will be due annually with your individual income tax return. These taxes are reported on Form 1040, Schedule H on an annual basis. You should not file Form 940 or Form 941 to make Federal quarterly tax deposits for a household employee unless your payroll provider is including the household employee on your company payroll. If you would like to make deposits towards the Federal payroll taxes you will owe at year end for your household employee, you must do so through the 1040-ES. Please contact your DZH Phillips individual tax representative to do so.

In general, the Federal payroll tax rate for the employer is 7.65% of wages and 7.65% of wages for the employee.

California Taxes

- If household wages for the year will be more than \$20,000, you will need to file quarterly with the EDD
- If household wages are less than \$750 per quarter, you will not be required to register or file with the EDD
- All other taxpayers may make quarterly or annual payments
- Quarterly payments are made using Form DE9 New Quarterly Contribution Return and Report of Wages and DE88 Payroll Tax Deposit. Both the employee and employer amounts will be paid with this quarterly filing. Deposits are required to the California Employment Development Department if Personal Income Tax withholding amounts are more than \$350
- Annual payments are made either with Form DE 1HW or Form DE89

In general, the California payroll tax rate for employers is 4.5% of wages.

Filing and Payment Deadlines

January 31, 2012: W-2 provided to employee including 2011 wages and withholdings. You will need to file using an Employer ID number which can be applied for with the IRS.

February 29, 2012: W-3 and W-2 filed with the Social Security Administration

April 17, 2012: Deadline for paying 2011 federal payroll taxes

The California DE 9 and DE 88 (payment coupon) are due as follows:

Report Covering	Filing Due Dates	Delinquent if Not Filed By
January, February, March	April 1	April 30
April, May, June	July 1	July 31
July, August, September	October 1	October 31
October, November, December	January 1	January 31

You are not required to withhold federal or state taxes on behalf of your household employee; however, if it is mutually agreed upon, you may do so after completion of Form W-4.

Additional resources can be found at: www.irs.gov www.ftb.ca.gov www.edd.ca.gov

To ensure compliance with requirements imposed by the IRS, we inform you that any tax advice contained herein (including any enclosures or attachments) was not intended or written to be used, and cannot be used, by the taxpayer for the purpose of avoiding any penalties that may be imposed under the Internal Revenue Code or applicable state or local law provisions.