

"Nanny Tax" Compliance Why you want to be paid legally (...and you may qualify for tax savings as well!)

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. A parent may lose a job, the family may move out of state, or a parent may just change their mind and decide to stay home to care for their children. 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.

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 the 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), an injury that can keep her out of work either temporarily or permanently. Your employer may only obtain workers' compensation insurance - insurance that would cover those 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 employer - a costly and time consuming proposition.

Social Security and 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.

Earned Income Tax Credit: This is a refundable tax credit available to certain low income taxpayers with dependants. Many low wage earners qualify for a federal tax refund, even if they had no tax due or deducted. A single nanny with two children earning less than \$38K per year could qualify for a maximum \$4,824 per year EITC credit! (2008) When you qualify for the Federal EITC, you may qualify for a state credit too. Twenty-two states, the District of Columbia, New York City, and Montgomery County, Maryland, offer their residents an earned income tax credit.

It's the law - tax evasion is a crime. You will sleep better knowing this is being taken care of.

Are you interviewing through a nanny agency? Ask your agency if they partner with HomeWork Solutions to provide hiring families with *NaniTax ESP™* - a complimentary offering of HomeWork Solutions that will provide the family with an analysis of your payroll withholding and their payroll tax obligations, plus expert account set up with the IRS and state taxing authorities.

PARTNER ID: ABC3016

2 Pidgeon Hill Dr. #550, Sterling, VA 20165
<http://www.4nannytaxes.com>

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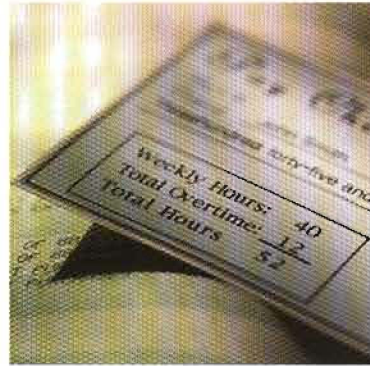
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HomeWork Solutions, Inc. - Nanny Tax Experts

Frequently Asked Questions

1. I am starting a new nanny job. What taxes do I have to pay?

Congratulations! If you will be paid \$1600 (2008) or more in a calendar year, your payroll tax obligations may include Social Security and Medicare taxes (7.65% of gross wage), as well as federal and state 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.



Call
800.626.4829

Expanded FAQ
Online
4nannytaxes.com/FAQ

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 managers, and others employed in domestic service in a private residence. The IRS is very clear that these workers are employees, NOT independent contractors, and that the family you work for, the household employer, is ultimately responsible for the payroll reporting and the remittance of household payroll taxes. When you file as an 'independent contractor' you pay 7.65% more tax that was really owed by the family, and lose the protections of unemployment insurance and worker's compensation insurance.

3. This sounds expensive! I hate paying taxes!

We have good news for you - your "nanny tax" compliance may qualify you for tax savings! The Earned Income Tax Credit is available to many nannies. (see other side) Also, periodic tax breaks such as 2008's stimulus checks are only available to workers paid legally.

4. Ok, What do I have to do?

Your employer should 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 4nannytaxes.com/calculator/ to figure out how much income tax you will owe - or if you want help call us toll free. 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 FAQ at 4nannytaxes.com (4nannytaxes.com/faq) will walk you through many important issues. 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 nanny agency can help. Remember you are entitled to overtime payments when asked to work additional hours. Your employer may reimburse the business use of your personal car (driving to and from preschool for example) tax free to you.

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