

Abstract: Many taxpayers employ household workers such as a cleaners or nannies who aren't independent contractors. These employers may be required to withhold from their workers' wages and pay Social Security and Medicare taxes, and possibly other taxes. This short article gives a rundown of what the employer of a household worker needs to know to withhold taxes, what taxes the employer is responsible for and how to report the taxes.

The “nanny tax” must be paid for nannies *and* other household workers

If you employ a household worker who isn't an independent contractor, you may be required to withhold from the worker's wages and pay Social Security and Medicare taxes, and possibly other taxes. You aren't required to withhold federal income tax.

Here's a brief rundown of your obligations. In 2024, when an employee's cash wages reach at least \$2,700, you must withhold and pay Social Security and Medicare taxes. This applies to all cash wages.

The employee share, withheld from pay, is half the Social Security tax (6.2%) and half the Medicare tax (1.45%). You, the employer, pay the other half. You also must pay federal unemployment tax on wages of \$1,000 or more. This tax is assessed only on the first \$7,000 of wages paid.

To pay household worker obligations, increase your quarterly estimated tax payments or increase withholding from your wages. Your tax professional will report the Social Security and Medicare taxes you paid on Schedule H of your individual Form 1040 tax return. For Schedule H, you'll need to include your Employer Identification Number (EIN), which you can obtain by filing Form SS-4. However, if you own a business as a sole proprietor, you may include the tax for a household worker on your business employment reports, using your business EIN.

Having a household worker requires careful recordkeeping. Keep track of every paycheck and report and include them in your tax records when we prepare your tax return. Contact us with questions.