

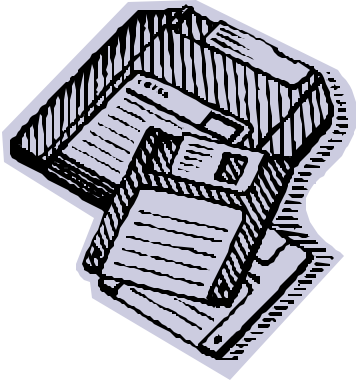


## HOUSE HOLD WORKERS...WHAT ARE THE LEGAL AND TAX ISSUES YOU FACE?

*You've seen it in the papers when celebrities or political candidates suddenly face disgrace and penalties for failing to legally report workers in the home, be they nannies or maids, body guards or gardeners.*

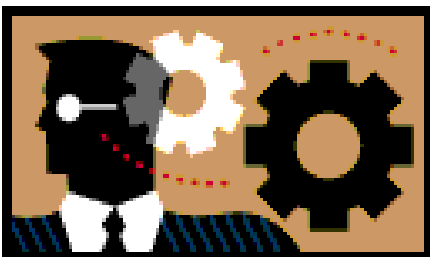
**What are the requirements you face for in the home workers?**

- **HOUSE HOLD WORKERS ARE THOSE YOU EMPLOY ON A REGULAR BASIS TO WORK IN AND AROUND THE HOME AND WHO WORK UNDER YOUR SUPERVISION.**
- **THEY DO NOT INCLUDE CONTRACTORS WHO OCCASIONALLY OR ON A ONE TIME BASIS PERFORM SERVICES ON YOUR HOME. (ROOFING CONTRACTORS, PLUMBERS, ALARM COMPANY INSTALLER, ETC.)**
- **TYPICALLY IT IS HOUSE KEEPERS, GARDENERS, NANNIES, CHAUFFERUS, ETC. WHO REGULARLY ATTEND YOUR NEEDS AT HOURS YOU SET ON A CONTINUING BASIS.**
- **PAYROLL TAXES MUST BE PAID AND WITHHELD IF THE PAYROLL OF A WORKER IS \$1400.00 OR MORE ANNUALLY. ONCE YOU REACH THAT THRESHOLD YOU MUST:**
  1. **Apply for a federal ID number using form SS-4**
  2. **Register with the California Employment Development Department using Form DE 1.**



**And the taxes are not minor:**

- **California Payroll Taxes** are SDI at .9% of gross, unemployment insurance which varies up to about 3.5% of gross and training tax which is .1% of gross wages. There is no requirement to withhold income tax and you can withhold the SDI taxes from the employee paycheck or pay the SDI tax yourself. The unemployment and training taxes are the responsibility of the employer.
- If you pay less than \$20,000 a year to ALL household workers, you may deposit the California payroll taxes annually using the form DE-3 HW. If you pay over \$20,000 in the aggregate to household workers, you need to deposit the payroll taxes quarterly using DE-3BHW.
- **Federal Payroll Taxes** are social security at 12.4% of gross, medicare at 2.9% of gross and unemployment insurance at .8% of gross. You are not required to withhold income tax.
- One half of the social security and medicare tax may be withheld from the employee paycheck (7.65%) or you may pay for all the taxes out of your own pocket which, of course, increases the actual rate of pay. Payment of Federal payroll taxes occurs annually with the filing of your personal tax return, using Schedule 1040-H. The employee and the social security administration would also receive the W-2 report annually.



**DEPRESSED YET? There's more...**

**Call your insurance broker for  
Worker's Compensation Insurance.  
Home Owner's Insurance Rider to cover injury.**

**And call your employment lawyer and learn about**

- *The Issue of Overtime and Benefits*
- *The various laws in California about discrimination in the work place.*
- *And the INS about the hiring of illegal workers and your need to check to make sure they are legal (green card or citizens.)*

And now you know why those celebrities and politicians evaded the issue, just paid with cash and hoped for the best.

Which is dangerous since violation of the law leads not only to severe danger of penalties and publicity, but could lead to massive liability if someone is injured on your "job site."

Like so much in the area of law, if things go just right, the trouble and expense of doing it with care for the legalities seem a waste...but if anything goes wrong, the contracts and formalities save your fortune.

So, if you hire someone or people and pay them more than the above, DO IT RIGHT!

Pay them now...or pay the attorneys and tax people a lot more later...

