

Who's Your Nanny?

Hiring some help? Consider these ramifications.

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"Where can I score some high-grade nanny?" For *Desperate Housewives* viewers and millions of working parents across the country, this quote by the hit show's Lynette Scavo (played by Felicity Huffman) strikes a cord. Hiring someone to care for your children is difficult enough without worrying about financial and legal implications of your decision. But if you plan to hire domestic help, here are some crucial elements to consider:

NannyGate – We have heard the stories of Linda Chavez and Bernard Kerik who were forced to withdraw from their nominations to lofty posts in the Bush Administration. Both had marks on their records involving the hiring of nannies who were illegal workers. What are the technical definitions of your responsibilities as an employer?

- Illegal workers – You are responsible for verifying an employee's eligibility to work in the United States by completing Form I-9. The employee must fill out a portion of it and present to you their proper documentation proving their work eligibility. For more information, visit the US Citizenship and Immigration Services website on the topic, <http://uscis.gov/graphics/howdoi/fageev.htm>.
- What if I knowingly hire an illegal worker? The penalties upon conviction for this federal felony include imprisonment and criminal fines. And if public reputation is important to your career, you might miss that promotion you were hoping for.
- What if I knowingly refer an illegal worker to someone else? You will only be convicted of a felony if you received a fee for the referral.

Nanny Taxes

- **Withholding Federal Income Taxes** – You are not required to withhold federal income taxes for your nanny, but she might ask you to do so. If you do, ask her to complete Form W-4 and use the IRS Publication 15: Circular E, Employer's Tax Guide to determine the amount to withhold.
- **Mandatory Withholding** – Social Security and Medicare taxes must be withheld from wages and paid by you. Commonly known as the FICA tax, you must pay a total of 15.3 % of your nanny's wages, 12.4 % for Social Security and 2.9 % for Medicare. You are allowed to deduct half of the total (or 7.65 %) from your nanny's wages, the other half comes out of your pocket as an employer. To make the payment, you will file Schedule H with your regular 1040 form every April.
- **Exceptions to the rule** – You do not have to withhold FICA if
 - You pay cash wages of less than the minimum required for the year
 - You are paying your child who is under 20 years-old
- **Unemployment taxes** – You must pay federal and state unemployment taxes for your employees if you pay more than the cut-off amount in any calendar quarter.
- **Federal and State Employer Identification Numbers** – Use form SS-4 for

federal and check with your state's employment office for the necessary forms.

- **Consult a professional** – If you are considering hiring a nanny, the tax implications may warrant your seeking outside advice. Consider consulting a financial professional (such as a CFP or CPA) to help you stay out of trouble.