

**THE**  
**HOUSEHOLD**  
**EMPLOYER'S**  
**FINANCIAL, LEGAL**  
**& HR GUIDE**



BROUGHT TO YOU BY BREEDLOVE & ASSOCIATES,  
THE NATION'S LEADING HOUSEHOLD EMPLOYMENT EXPERT

# Welcome to Household Employment

Since 1992, Breedlove & Associates has helped busy families manage the tax, legal and HR aspects of being a household employer — without work, worry or risk. We created this guide to help you understand how it all works and how we can help.



# **WHAT EVERY FAMILY NEEDS TO KNOW**



## WHO'S A HOUSEHOLD EMPLOYER?

The IRS defines a household employer as someone who pays an individual to perform duties in or around their home and controls when, where, how or by whom the work should be performed. Household employees include nannies, medical caregivers, housekeepers, chefs, personal assistants, household managers, etc. Misclassifying these individuals as independent contractors is considered tax evasion.

## YOUR TAX OBLIGATIONS

Household employers have three primary tax responsibilities as part of their overall compliance process *(See the full checklist on the next page)*:

1. Withhold social security, medicare, and all applicable state taxes from their employee's pay each pay period. Income taxes should also be withheld in accordance with the employee's Form W-4 selections.
2. Pay the employer's portion of social security and medicare as well as state and federal unemployment taxes. In some states, other small employer assessments may apply. *(Good News! To help offset these employer costs, families are entitled to tax breaks if the employee provides care for a dependent. See page 5).*
3. File state and federal employment tax returns and remit the employee and employer tax dollars to the appropriate tax agencies.

*Beware when your employee says, "I'll take care of the tax stuff." The IRS requires that the tax process be administered by you, the employer, and views you as the liable party. Failure to comply results in back taxes, penalties and interest. In some cases, felony tax evasion charges may be levied along with fines up to \$250,000.*





## THE HOUSEHOLD EMPLOYER COMPLIANCE CHECKLIST

Families are required by law to meet the obligations outlined below. Compliance protects you from expensive tax and legal problems, entitles you to tax breaks, and provides your employee with critical short-term and long-term financial benefits. Here's the brief overview:

- ✓ Obtain household employer tax IDs (*federal and state*)
- ✓ File New Hire Report
- ✓ Calculate employee tax withholdings and track all federal and state employer taxes
- ✓ Prepare and distribute paystubs
- ✓ File quarterly state employment tax returns and remit state tax dollars (*employee withholdings as well as state employer taxes*)
- ✓ File federal 1040-ES four times per year and remit federal taxes (*employee withholdings as well as federal employer taxes*)
- ✓ Prepare and distribute Form W-2 at year end
- ✓ Prepare and file all required year-end forms with the state and the Social Security Administration
- ✓ Prepare Schedule H and file with federal income tax return
- ✓ Read and respond to periodic state and federal government notices and alerts
- ✓ Monitor ever-changing tax and labor laws



*If you have an accountant, we encourage you to discuss this checklist to see if he/she is experienced in handling these obligations for you. Most accountants are not experts in this unique area of the tax code and are not set up to provide payroll management and HR guidance. Regardless of how you handle your obligations, we strongly encourage you to make your decision at or before the time of hire so that you avoid expensive tax and legal mistakes.*



## TAX BREAKS FOR DEPENDENT CARE EXPENSES

Families with care expenses who meet the compliance requirements are entitled to at least one of the following tax breaks:

- ✓ **Flexible Spending Account** (also known as “Dependent Care Account”). The Flexible Spending Account allows families to pay for a portion of child care expenses using pre-tax dollars. It is administered through the HR department of most companies so please see the HR department at your company for enrollment details.
- ✓ **Child or Dependent Care Tax Credit.** This tax credit allows families to itemize care-related expenses on Form 2441 when they file their federal income tax return.

➔ For an estimate of your savings from tax breaks, visit [myBreedlove.com](https://myBreedlove.com)

*There is no income restriction on these tax breaks, but families with childcare expenses must pass the “work-related test,” which means that care is necessary so that both spouses may work, look for work, or be a full-time student.*





## OVERTIME

Most household workers are protected by federal and state law stating they must be paid time-and-a-half for all hours over 40 in a 7-day workweek. *(Live-in employees are excluded from overtime protection under federal law and most state law).*

If overtime is included in a salary, the salary must be broken into regular and overtime pay rates and the employee must agree to the rates in writing.

For assistance with the math and/or the language for your employment agreement, just give us a call.

## SEPARATING BUSINESS & HOUSEHOLD PAYROLL

Families who own a business are sometimes tempted to include their household employee within the company's payroll and tax reporting process. This is illegal and potentially expensive. The IRS has ruled definitively that household employees are not direct contributors to the success of the business and, therefore, must be handled through the household payroll and reporting process.



*Take care. There is no statute of limitations for overtime disputes and, without a written agreement addressing the specifics of regular and overtime pay, most judges will be forced to side with the employee.*



## WORKERS' COMPENSATION INSURANCE

Many states require household employers to carry workers' compensation insurance. This protects your employee against financial issues resulting from work-related illness or injury. Workers' comp can usually be handled through your existing homeowner's insurance. Call us or visit [myBreedlove.com](http://myBreedlove.com) for details about your own situation.

## OTHER THINGS YOU MAY NEED TO KNOW

You may encounter some of these other HR-type issues. If you have any questions about these topics, please give us a call so we can advise you based on your specific situation.

- ✓ Paid Time Off
- ✓ Travelling with Your Employee
- ✓ Overnight Stays
- ✓ Work Eligibility
- ✓ Reimbursements
- ✓ Health Insurance
- ✓ Unemployment
- ✓ Disability
- ✓ Nanny-Share Arrangements
- ✓ Raises & Bonuses

*Every situation is unique. Following the advice of a neighbor or colleague may expose you to risk and liability. A call to Breedlove is quick and free. And it may help you avoid an expensive legal mistake.*







**A SERVICE BUILT JUST  
FOR BUSY FAMILIES**



**NO WORK. NO WORRY. THAT'S OUR PROMISE.**

We know all this stuff is complicated and tedious. We're here to make life easier by handling every aspect of the payroll and tax process for you. From paydays to tax time and all points in between, we eliminate your work, worry and risk.



## ABOUT THE BREEDLOVE NO-WORK, NO-WORRY SOLUTION

### **We take care of it. All of it.**

Breedlove families can rest easy knowing that every item on their compliance checklist is checked off by a single, accountable partner.

### **This is all we do.**

Households are subject to unique laws, exceptions and exemptions. Most business-oriented payroll firms simply don't understand or handle these issues efficiently. At Breedlove, we stay entirely focused on household issues.

### **We've been around.**

Since 1992, we've helped tens of thousands of families through every conceivable issue and problem. Our experience has been acknowledged in *The Wall Street Journal*, *The New York Times*, *Forbes*, *Fortune*, *Business Week*, *SmartMoney.com* and *The Economist* — just to name a few.

### **Expert support online and by phone.**

Live tax and labor law experts will pick up when you call. And our family-friendly client site stores all your information, tools and archived documents. So you can get what you need, anytime.



**We guarantee our work.**

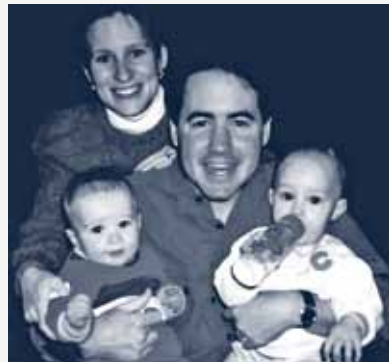
Your tax returns will be filed accurately and on time. And your tax remittances will be paid on schedule. No government notices or late fees, guaranteed.

**Affordable, pay-as-you-go fees.**

We work hard to be efficient so we can keep our fees as low as possible. We charge a low, flat quarterly fee — after the work is completed at the end of the calendar quarter. There are no contracts, commitments or hidden fees. For our current fees, please call or visit [myBreedlove.com](http://myBreedlove.com).

- For a detailed overview of how we manage the payroll, tax and HR obligations for you, see pages 12–14. Or visit [myBreedlove.com](http://myBreedlove.com) to watch a brief video tour of our service.

*In 1992, Bill and Stephanie Breedlove were pursuing demanding careers while raising two young boys. They were thrilled to hire a nanny, but were baffled about how to manage tax and labor obligations. That gave them an idea. Read Bill and Stephanie's story at [myBreedlove.com](http://myBreedlove.com)*



## HOW BREEDLOVE ELIMINATES ALL THE WORK AND WORRY:

# SIMPLE PAYDAYS

Families and employees love the simplicity of a Breedlove payday. Our easy four-step process was built for busy families:

### 1. PROCESSING

Based on your standard pay settings, we calculate the precise withholdings each pay period and summarize it for you in a preview email right before payday.



### 2. ADJUSTMENTS

Go to your personal account at *myBreedlove.com* for easy modification. Or do nothing and let your standard payroll run.



### 3. PAYMENTS

Your employee is paid effortlessly through Direct Deposit or, if you prefer, we can help you cut the paycheck yourself.



### 4. DISTRIBUTION

We send a detailed, professional paystub to your employee electronically and archive it online in your payroll history.



# EFFORTLESS TAX TIME

We prep, file and remit all state and federal employment tax returns for you — accurately and on time.

Guaranteed. Here's how it works:

## 1. STATE & FEDERAL FILINGS

Before each federal and state deadline, we prepare all the appropriate employment tax returns, send you preview copies and file all required returns with the appropriate tax agencies on your behalf.



## 2. TAX REMITTANCE

Once we have prepared your tax returns, we email you, letting you know what's due and when. All you need to do is make sure the funds are in your bank account; we take care of remitting the tax dollars to the various tax agencies for you before the deadline.



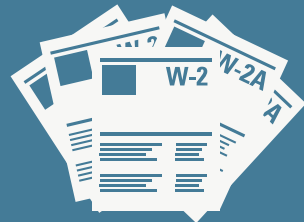
## 3. TAX RETURN ARCHIVAL

Each return is archived in your personal online account at [myBreedlove.com](http://myBreedlove.com) for easy access by you and your accountant.



## 4. YEAR-END PROCESSING

We take care of all state and federal year-end obligations for you, including Form W-2, Form W-3, Schedule H and State Annual Reconciliation.



# EXPERT SUPPORT & GUIDANCE

Breedlove families don't worry about expensive tax or legal problems. We're your accounting, legal and HR departments — just like a company would have — only streamlined to better meet your unique household employment needs. Here's what you get:

## 1. CUSTOMIZED ANSWERS & ADVICE

Our dedicated experts keep your employment profile at their fingertips so they are ready with answers tailored to your unique employment situation.

## 2. FAST & FREE

A real, live tax expert answers the phone when you call. You won't get hit with consulting fees or add-on packages; it's all included in our standard service.

## 3. TAX AGENCY MANAGEMENT

Let us handle tedious agency communication. We set ourselves up as your employer mailing address so we can manage correspondence and ever-changing tax laws for you.

## 4. ONLINE ACCOUNT MANAGEMENT

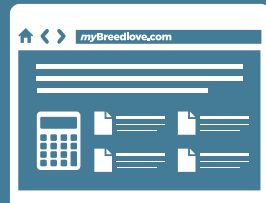
With *myBreedlove.com*, you have secure online access to all your records, tools and resources. You can even authorize your accountant or financial manager so they can help themselves.



HR

ACCOUNTING

LEGAL





**Get personalized guidance.**

Take advantage of a phone consultation with a Breedlove household employment expert (not a salesperson). There's no cost or obligation and it only takes a few minutes. 888-BREEDLOVE (888-273-3356)

**Get helpful tools & advice online.**

Visit *myBreedlove.com*, where you'll find family-friendly calculators, expert answers, and a video tour of our service.





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*myBreedlove.com*



A NO-WORK, NO-WORRY SOLUTION  
TO PAYDAYS, TAX TIME & ALL POINTS IN BETWEEN.