



# GUIDE TO NANNY TAXES

**Now that you've invested so much to find just the right nanny to care for your children,** the last thing you want to worry about is payroll taxes! Calculating, filing and paying your nanny's payroll can be intimidating and confusing. So much so that many parents think it's just easier to skip the taxes all together and pay their nanny "under the table." Don't do it. Not only is it illegal, it can be costly. On average, failing to pay the Nanny Tax can cost up to \$25,000 in fines and penalties.

There are plenty of reasons you'll want to learn to navigate the Nanny Tax:

- ✓ You'll avoid costly fines and penalties.
- ✓ You'll protect yourself as an employer.
- ✓ You'll help your nanny build their employment history.
- ✓ You'll ensure that your nanny gets the Social Security and Medicare benefits he or she is entitled to when retired.
- ✓ You'll ensure your nanny can receive unemployment benefits when your children no longer requires their care.

SurePayroll can help easily and affordably handle all the tedious payroll tax work for you.

## NANNY TAXES MADE SIMPLE: SUREPAYROLL MANAGES YOUR NANNY'S TAXES AND PAY ONLINE SO YOU DON'T HAVE TO!

Not only can nanny taxes be quite easy to manage with a [SurePayroll account](#), but nannies should also WANT to be paid legally for a legitimate employment history, Social Security and Medicare benefits, and Unemployment benefits.

### UNDERSTANDING THE NANNY TAX

Under tax law, your nanny is considered a “household employee” because you control what work he or she will do or set requirements on how that work will be done. For any household employee, you may need to withhold (and pay) Social Security and Medicare taxes, pay federal unemployment tax, or both – depending on your nanny’s income.

Here is a quick breakdown:

- ✓ If you paid your nanny \$2,200 or more in 2020, you must withhold and pay Social Security and Medicare on all of their wages.
- ✓ If you paid your nanny \$1,000 or more in a quarter in 2020, you must pay the federal unemployment tax, or FUTA. (You may also owe state unemployment taxes.)

### ARE THERE ANY EXCEPTIONS?

The IRS does make a few exceptions, all of which are outlined in [IRS Publication 926](#).

### PAYING SOCIAL SECURITY AND MEDICARE

Both you and your nanny’s tax rate is 6.2% for Social Security and 1.45% for Medicare. So deduct 7.65% from your nanny’s pay, and you’ll have to also pay 7.65% of your own money.

**EXAMPLE:** If your nanny makes \$1000 each week, you should withhold \$76.50 from each paycheck and pay your nanny the remaining \$923.50. You’ll then contribute \$76.50 of your own money to pay your share of the taxes.

## PAYING FEDERAL UNEMPLOYMENT TAX (FUTA)

The FUTA tax amounts to 0.6% of FUTA wages. “FUTA wages” are capped at the first \$7,000 of your nanny’s cash wages during the year. In other words you will not owe more than \$420 for your nanny’s FUTA tax. You may be required to pay state unemployment taxes for your nanny. This varies from state to state so be sure to check with your state.

**EXAMPLE:** If you pay your nanny \$1000 each week, this makes their first quarter wages (January-March) come to a total of \$13,000, which is more than the \$1,000-per-quarter limit we discussed earlier. So you will be paying FUTA taxes. At \$1000 per week, your nanny’s annual salary is \$52,000 so 0.6% on the first \$7,000 means you’d pay \$420 for FUTA taxes for the entire year.

## FORMS AND PAYMENT

To report your nanny’s wages and those federal unemployment taxes, you’ll need certain tax forms.

- ✓ **Form SS-4:** Fill out Form SS-4 or apply online through the IRS to obtain your [Employee Identification Number \(EIN\)](#) – which you’ll need for tax forms. By the way, it may be more secure to use an EIN than your Social Security number on forms you complete!
- ✓ **Form W-2:** Fill out Form W-2 if you pay Social Security and Medicare wages of \$2,100 or more, and give Copies B, C and 2 to your nanny. Copy A (along with Form W-3) goes to the Social Security Administration.
- ✓ **Form W-3:** This is another form called a transmittal form sent to the Social Security Administration which shows total earnings, Social Security wages, Medicare wages and withholding for all employees for the previous year. The key here is that it includes all employees, meaning if you employ more than one nanny in a year, you’d submit this for both of those nannies.
- ✓ **Form W-4:** This form is for your nanny. Though you are not required to withhold employment taxes from your nanny’s pay – he or she may ask you to. This form details the correct number of allowances for your nanny.
- ✓ **Schedule H:** If you pay your nanny cash wages of \$2,100 or more file Schedule H.
- ✓ **Form I-9:** Form I-9 is used for verifying the identity and employment authorization of individuals hired for employment in the United States. All U.S. employers must ensure proper completion of Form I-9 for each individual they hire for employment
- ✓ **Form 1040:** When you file your federal tax return, attach Schedule H to Form 1040. Pay by April 15.

## TAX CREDITS CAN HELP!

Tax Breaks. Whether you get a tax credit or take advantage of a flex spending account, there are significant tax breaks for families employing a nanny. In fact, many families realize that their tax liability can be greatly reduced by \$250 to \$1,200 per year by exploring the following:

- ✓ **Pre-tax Flexible Spending Accounts.** Check with your employer, some companies offer these accounts (sometimes called “cafeteria plans”), which allow employees to contribute a certain amount of their pre-tax salary if it will be spent on qualifying payments like child care.
- ✓ **The Child and Dependent Care Tax Credit,** which can provide you with up to 35% of your child care costs in the form of a tax credit, depending upon your adjusted gross income. To receive this credit, you must include [Form W-10](#) and [Form 2441](#) with your annual federal tax return. There are restrictions on both of these options according to federal law, so be sure to investigate your eligibility.

## HOW SUREPAYROLL CAN HELP

If [nanny taxes](#) still make you nervous or sound like a lot more time than you want to spend on paperwork, SurePayroll can help. How? We provide Nanny Payroll Built Around You:

- ✓ Finish payroll in 2 minutes
- ✓ Run payroll online on your schedule and on your device.
- ✓ Use direct deposit and online paystubs for your nanny or household help.
- ✓ U.S.-based customer care team is here to help with online chat, phone or email.

### Tax Services:

- ✓ Federal, state and local payroll taxes automatically paid and filed for you.
- ✓ Your 1040-ES is automatically filed on your behalf.
- ✓ Get a signature-ready Schedule H to attach to your annual 1040.

### Data Security:

- ✓ Secure call-in so only authorized contacts discuss payroll data with Customer Care. Getting started is easy! You can process payroll in 3 easy steps, run payroll on any device and there are no setup fees. We'll walk you through your setup and answer all your questions.

**GET FREE QUOTE**  
Or call us at **877-954-7873**

SurePayroll does not give tax or legal advice. Please seek a qualified tax professional or legal advisor for your specific situation.