

# Not Worth the Risk:

The Very Real Possibility of Losing  
Clients over Nanny Tax Issues



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# The Risks of Nanny Taxes

There are several risks involved when a family hires an employee to work in their home even if you or your client are trying to get nanny taxes right.

But the dangers extend beyond fines and penalties for your client's potential non-compliance with household employment laws.

Get nanny taxes **wrong** for your client and they could point the finger at you and your firm even if you aren't at fault. They expect expert advice and for you to steer them away from trouble. You could jeopardize your client relationship – over even lose the client altogether – over the mishandling of nanny taxes or incorrect guidance.

Since families that hire household employees tend to be high-net worth clients, there could be a significant amount of business on the line.

Here are three tax and payroll issues that can trip up you and your client.

## 1. Failing to Pay Minimum Wage or Overtime

Household employees are required to be paid at least minimum wage, which will be the highest of federal, state, and local rates. Beyond a few exceptions (mostly around live-in workers), they also receive time-and-a-half for hours worked over 40 in a week. Not being paid legally could lead a dissatisfied employee to filing a lawsuit for back wages and subject your client to an IRS audit and paying back taxes with penalties and interest.

## 2. Poor Timekeeping Records

Without accurate timesheets – or lacking any type of timekeeping – an employee could be underpaid for the hours they worked and may not get the required overtime pay. Once again, your client is exposed to legal action. This can be an especially attractive option for someone who is working for a high-net worth family.

## 3. Mistakes on Payday

Your client could be paying their employee in cash or writing a personal check. However, some states require employers to distribute a paystub along with wages even if paying electronically. The paystub includes information like hours worked, pay rate, overtime rate, deductions, withholdings, and more. States may also determine how often a worker should be paid. In New York, for example, household employees are required to be paid weekly.



# Why These Issues are Costly

Your client supplies you with how much they paid their worker and you file the appropriate taxes on a quarterly basis. Simple, right?

But what happens if, in the rush to meet the quarterly deadline, you're not asking your client the right questions about overtime and minimum wage? Or your client has poorly-kept records of hours worked and pay.

Either way, mistakes are made. Perhaps you do ask the right questions and your client doesn't know the answers, so they just take a guess on hours worked and wages.

Their employee could wind up being underpaid and consider legal action for back wages. Even if your client gave you bad information, they could point a finger at you as someone who was supposed to give professional advice and prevent this from happening. You're now faced with an angry client who thought you were handling this for them. They could leave your practice and take all their business with them.

Beyond payroll and taxes, there are other problems that could cause trouble for your client.

## **Lack of Workers' Compensation Insurance**

Workers' compensation is required for many household employers and is often overlooked or skipped. However, an injury on the job could be financially devastating to a family who would be on the hook for their employee's medical costs and lost wages as well as fines and penalties for lack of coverage. It can easily add up to tens of thousands of dollars. Even when workers' compensation coverage is voluntary, a policy may be a good idea to help protect your client.

## **Ignoring Household Employment Nuances**

Several states have passed Domestic Workers' Bills of Rights to provide protections to household employees. These laws could determine days of rest, sick leave, and pay frequency as well as require a work agreement. Sick leave and paid family leave laws may also extend to household employees. Fines and penalties can be imposed if these mandates aren't followed.



# Avoid the Needless Risks. Stop Doing Nanny Taxes Yourself.

You have better things to do than trying to figure out a client's nanny taxes and chasing their payroll records. You may find yourself up against a tax deadline while furiously tracking down who worked when. That's not a good use of your time when you have more profitable work that demands your attention. Nanny taxes likely make up a small part of your work for a client but may pose the biggest risks to the relationship and lost business. You're probably not making any money off nanny taxes, yet it's a huge hassle and jeopardizes your client relationships.

And we get it. You don't want to lose a client by not handling all their tax obligations.

## **What's the solution?**

You need a partner like GTM Payroll Services with the experience and expertise to handle nanny taxes and payroll while delivering extraordinary service that your client expects.

With GTM, your clients will work with a firm that places ecstatic families at the very center of their business and have peace of mind knowing their household payroll is being done right.

You're no longer dealing with nanny taxes and can focus on services that make you the most money. At the same time, you keep your high-value clients, stay in control of the relationship, and continue to deliver exceptional service.

It's a win-win for everyone involved.

## How We Partner with You

Simply refer your clients to us. We'll do the rest. With GTM as your nanny tax partner, you get the best of both worlds. The time-consuming and confusing administrative tasks are left to us while you remain in control of the client relationship.

With our online portal for accountants, you can view your client's payroll and tax data and download their tax forms. GTM's partner manager will help with any questions you have while your client will be supported by an experienced team of household employment experts.

# Why GTM?

## Experience

We've been in the nanny tax business for more than 30 years and have worked with tens of thousands of families over the years. Today, we process more than \$1 billion in payroll each year for more than 44,000 employees across the country. We've seen it all in household employment and can handle and advise on any hiring situation.

## Trust

Fortune 500 companies rely on us to manage payroll for their executives and clients. We also partner with hundreds of accounting firms, family offices, wealth advisors, and placement agencies. They put their clients in our care and expect them to receive the same type of personal attention they provide. We're up to the task!

## Services

We have the experts on staff to support your clients as well as the services they need.

We offer:

- A pay day made easy with automatic payroll processing and free direct deposit
- All quarterly, annual, state, and federal tax filings
- Secure, online self-service for you, your clients, and their employees
- Workers' compensation insurance – we'll manage the policy including audits, invoices, and claims
- Automated timekeeping solution to help clients track and record hours
- Concierge medicine – an easy and affordable health benefit for employees
- Other employee benefits that make great retention tools including health insurance and 401k plans





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