



# SENIOR CARE PAYROLL AND TAX GUIDE



**HOW TO PAY YOUR IN-HOME CAREGIVER  
THE RIGHT WAY**

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# Introduction

In-home senior care allows your elderly loved one to “age in place.”

**A**s the U.S. population ages and baby boomers increasingly require senior care, families are looking to hire caregivers for their elderly loved ones.

Seniors prefer to “age in place” for convenience, familiarity, and security. Providing services in the home also allows them to continue living independently.

However, to “age in place,” some seniors may need help with basic tasks that have become difficult as they grow older. These may include medical and nonmedical services such as financial planning and management, companionship, home safety, meal preparation, personal care, and transportation.

Sometimes a family will take on caregiver responsibilities themselves. They may do this to try and save money by caring for their elderly loved one on their own. But this can place a toll on balancing work and life commitments around attending to the needs of the senior.

Also, the logistics of being the senior caregiver, time demands, and elevated stress often becomes too much for a family to handle.

You have a few options on finding senior care. Depending on how you bring on board an in-home caregiver will determine whether you are now an employer. This means processing payroll, paying taxes, carrying insurance, and other considerations.



# About this Guide

**P**ayroll. Tax. Insurance. Compliance. It's time consuming and may seem overwhelming.

That's why we've put together this guide that will help you every step of the way.

Just what you need to do and why. There's even a handy checklist and payroll calendar at the end of the guide to use as references.

If you'd rather have GTM Payroll Services handle all of the administrative tasks associated with senior care payroll and taxes, we offer a free, no-obligation consultation to review your specific situation. Call (800) 929-9213.

We'll show how we remove the hassles, worries, and risks of senior care payroll and give you peace of mind (plus more time in life for the things you enjoy).

The IRS estimates that it takes  
a household employer

**60**  
**HOURS**



each year to comply with all  
federal and state tax laws.

# 14 Steps to Compliance

Mistakes or misinterpretations of the law can mean IRS audits, thousands of dollars in fines and penalties or an employee lawsuit.

**1** Obtain household employer tax IDs (federal and state).

**8** File and remit quarterly state employment taxes.

**2** File a new hire report with your state (if necessary).

**9** File and remit quarterly federal taxes using Form 1040-ES.

**3** Purchase workers' compensation insurance (if required in your state).

**10** Prepare and distribute Form W-2 to your caregivers by January 31 (for previous year's taxes and wages).

**4** Adhere to all applicable tax, wage and labor laws that pertain to household employment such as a Domestic Workers' Bill of Rights.

**11** File Copy A of Form W-2 and Form W-3 with the Social Security Administration by January 31.

**5** Verify your caregiver's social security or tax identification number and complete Form I-9 for employment eligibility.

**12** Prepare Schedule H and file with your federal income tax return (Form 1040).

**6** Calculate employee tax withholdings.

**13** Read and respond to government notices and alerts.

**7** Prepare and distribute paystubs (even if paying by direct deposit).

**14** Monitor changes to tax, wage, and labor laws that could potentially affect private, in-home senior care.

# Hiring an In-Home Caregiver

How you hire a senior caregiver will likely determine if you are now an employer

There are several reasons to hire an in-home caregiver for an elderly family member, even those who are healthy and active. From simple duties like companionship and conversation to household chores like shopping, light housework, and preparing meals, caregivers can help the elderly maintain independence and a high quality of life. Or you may need a caregiver who provides physical assistance and helps with hygiene or other personal care services.

You may only need a caregiver for a few days a week or certain hours during the day. Some situations may require a full-time or live-in caregiver.

There are three ways to hire an in-home caregiver; using an agency, through a registry or independently.

## Hiring through a Home Health Care Agency

A home health care agency will employ the caregiver to work in the senior's home and take care of paying the employee and filing taxes as well as compliance with tax, wage, and labor laws. In this case, the agency controls the job duties of the employee.

The agency will select the caregiver and send them to your senior's home. However, you may not get the same caregiver every time.

## Hiring through a Referral or Placement Agency

A referral or placement agency recruits the senior care worker on behalf of the family. They charge a fee for this service and then hand over control of employment to the family who is then responsible for payroll, taxes, insurance, and compliance. A referral or placement agency may also offer services such as background screening of candidates, post-hire assistance, and backup or replacement care.

## Hiring Independently

By doing it themselves, a family finds, recruits, and hires the senior care worker without the assistance of an agency. The family will also take care of payroll, taxes, insurance, and compliance.



# Employee or Independent Contractor

Big mistake: misclassifying your caregiver as an independent contractor.

Why is this an important distinction? With an employee, the employer pays taxes as well as the employee. An independent contractor pays both the employee and employer portions of the tax responsibility.

Families hiring an in-home senior care worker should know the differences as misclassification is considered tax evasion and the Department of Labor and IRS have increased their enforcement.

Generally, if you define the work that needs to be done and control how it is done, you are an employer and the person filling this job is your employee.

We have found that nearly all the time the IRS classifies a private, in-home caregiver as an employee. They should have taxes properly withheld and receive a W-2 at the end of the year.

Employee	Independent Contractor
Takes instruction from the employer.	Is told desired, final results but works under their own conditions.
Schedule is set by the employer.	Sets their own schedule.
Uses tools and equipment provided by the employer.	Uses their own supplies.

Let’s look at how this applies to an in-home caregiver and a physical therapist hired to care for an elderly loved one.

In-home Caregiver	Physical Therapist
The family tells the elder-care worker what the senior in need of care can eat; medicines they need to take; and other parameters on how they want their loved one to be looked after.	The physical therapist decides the best course of action to treat the senior. They’ll determine exercises and other instructions for the senior and the family to follow.
Schedule is set by the employer.	The physical therapist sees multiple patients in a week and will determine the day and time when they can see the patient. This could change weekly.
Uses tools and equipment provided by the employer.	The physical therapist uses their own equipment and supplies to treat their patient.



# Benefits and Protections for Your Family

Household payroll done right has many benefits for you.

## **Attract Higher Quality Employees**

When you hire private, in-home senior care, you're bringing a professional on board. They expect the same benefits and protections of being paid legally afforded to those who work in an office, retail store, restaurant or other type of workplace. By doing payroll and taxes the right way, you'll pick from a larger pool of qualified candidates and have a better chance of finding the right fit for your elderly loved one.

## **Work with a Happier Employee**

Your caregiver will appreciate the benefits and protections of being paid legally even if it means a little less in their paycheck. By treating them like a professional, they have higher job satisfaction. This leads to a happier work environment and an easier relationship with your caregiver.

## **Gain Financial Protection**

Even if workers' compensation is not required in your state, it may be a good idea to purchase a policy. It ensures that some of your caregiver's medical costs and lost wages will be covered if they become ill or are injured on the job. Without it, you could be liable for your caregiver's medical expenses and lost pay.

## **Avoid State and Federal Fines and Penalties**

It's easy to get caught paying under the table. All it takes is your caregiver filing for unemployment after you part ways and listing you as their previous employer. They'll be denied benefits and you'll come under scrutiny for not paying the proper taxes. Or, your caregiver is injured on the job and goes to the emergency room. They say they were hurt at work, which triggers an investigation and discovery that you weren't following the laws on workers' compensation.

## **Reduce the Risk of an Audit**

Once the federal government realizes you haven't been compliant with senior care employment law, your chances of being audited skyrocket.

## **Take Advantage of Tax Savings**

Your employer's flexible-spending plan, the Child and Dependent Care Tax Credit, and/or medical expense deductions may cover some of the qualified expenses associated with in-home senior care. But only if your caregiver is paid "on the books."

## **Enjoy Peace of Mind**

All of these benefits lead to one major advantage ... peace of mind. You'll have a solid relationship with your caregiver and financial protection. You won't have to concern yourself with fines, penalties, audits or lawsuits. Even if you are audited for an unrelated matter, you won't have to worry about senior care employment raising red flags.



# Benefits and Protections for Your Caregiver

## Verifiable Income

If your caregiver applies for a car loan, student loan, mortgage or even a credit card, they'll need to show that they can pay monthly installments. Being paid legally provides that. If your caregiver's pay is not documented, they have no way to show that they have income.

## Legal Employment History

Getting paid "on the books" creates a work history. This is also important when your caregiver applies for a loan, credit or their next job.

## Unemployment Benefits

Let's say your caregiver has worked for you for a few years. However, the arrangements for your elderly loved one have changed and you no longer need an in-home caregiver. Unemployment benefits will partially replace your caregiver's lost wages for a period of time while they look for a new job.

## Social Security and Medicare Benefits

Money paid by you and your caregiver into Social Security and Medicare is set aside to help pay for living and medical expenses when your caregiver retires.

## Workers' Compensation Benefits

With a worker's compensation policy in place, your caregiver will receive assistance with medical expenses and lost wages if they are injured or become ill on the job. Workers' compensation is required for household employers in many states.

## Health Care Subsidy

The Affordable Care Act created a health insurance marketplace to help people find coverage. If your caregiver buys a policy through this marketplace, they could qualify for a subsidy and cut the costs of their insurance. Provided, of course, they are being paid legally.

Being paid "off the books" may seem attractive to your caregiver as it means more money in their pay check. They may even ask to be paid this way. For the small cost in taxes, your caregiver gains important short-term and long-term advantages.



# When You Need to Pay Taxes

**T**he IRS defines a household employer as someone who pays an individual \$2,600 or more in a calendar year to work in their home.

If you're considered a household employer by the IRS, then you need to pay Social Security and Medicare taxes on your employee. Your share is 7.65 percent of their wages. Your employee's share is also 7.65 percent, which you can choose to pay yourself or withhold from their wages.

Also, if you paid a household employee \$1,000 or more in any calendar quarter, you must pay federal unemployment tax (six percent of wages) on up to \$7,000 in wages. You may also owe state unemployment tax (about two to five percent in most states).



You do not need to pay Social Security and Medicare taxes on wages you paid to your:

- Spouse
- Children under 21 years of age
- Parent
- Employees under the age of 18

You do not need to pay unemployment taxes on wages paid to your spouse, children under 21 years of age or your parents. However, you do need to pay this tax for employees under the age of 18.



# Filing to Become an Employer

Becoming a household employer comes with its fair share of paperwork.

## Federal Requirements

### **Form SS-4: Application for Employer Identification Number**

Household employers must have an employer identification number (EIN).

This gives you a specific tax number, like a Social Security number for employees, for dealing with the IRS and other agencies.

<https://www.irs.gov/pub/irs-pdf/fss4.pdf>

### **Form W-4: Employee's Withholding Allowance Certificate**

This form documents how much income tax is to be withheld from your caregiver's pay. <https://www.irs.gov/pub/irs-pdf/fw4.pdf>

### **Form I-9: Employment Eligibility Verification**

Household employers must obtain a completed I-9 for every employee hired. This is used to verify the identity and employment eligibility of your caregiver. Keep this form on file with copies of the documentation your caregiver provided for employment eligibility.

<https://www.uscis.gov/sites/default/files/files/form/i-9.pdf>

### **Form W-10: Dependent Care Provider's Identification and Certification**

This form collects information about your caregiver if your elderly loved one is considered your dependent and you plan to claim a credit for dependent care expenses on your personal tax filing ([Form 2441, Child and Dependent Care Expenses](#)) or if you receive benefits under your employer's dependent care or flexible spending plan.

#### **Expert Tip**

Your caregiver must have a Social Security number. If they are not a U.S. citizen, they must be authorized to work in the country by the Department of Homeland Security.

Never assume that your caregiver has a Social Security number and be sure to verify all numbers with the Social Security Administration. This can be done online at <https://www.socialsecurity.gov/employer/ssnv.htm>.

If your caregiver is a legal U.S. citizen or a noncitizen who is eligible for employment and does not have a Social Security number, they can apply for one by completing Form SS-5 (Application for Social Security Card) at <https://www.ssa.gov/forms/ss-5.pdf>.

# Filing to Become an Employer

Individual states also have requirements for household employers.

## State Requirements

### **Unemployment Identification Number**

You are required to obtain an unemployment identification number with the state where the physical work will be performed. This is needed to pay state unemployment taxes on a quarterly basis.

### **Withholding Certificate**

If you and your caregiver decide to withhold state income taxes, then you'll need to complete a withholding certificate through the appropriate state agency. You'll receive an ID number, coupon booklet, and instructions on how to submit withholding taxes.

### **New Hire Report**

You must register any new employee with the state in a certain time frame of the hire date. The report asks for basic identification information for each new employee.

Registration requirements for household employers can vary by state.

Contact your state's department of taxation or revenue to understand your responsibilities.

You may need to file for an unemployment number, withholding certificate and/or a new hire report.

# Understanding Tax Laws and What You Need to Pay

Taxes need to be paid through withholdings on your caregiver's pay or by you as the employer.

## **Social Security**

Provides financial coverage when you are retired from the work force. The employer pays 6.2 percent of their caregiver's gross salary and withholds the same percentage from their caregiver's pay for a total contribution of 12.4 percent.

## **Medicare**

Medicare provides basic medical insurance when a person is retired. As with Social Security, the employer and caregiver contribute the same amount. Both pay 1.45 percent of the caregiver's gross pay.

## **Federal Income Tax**

Withholding federal income tax from your caregiver's pay is optional. However, you must withhold income taxes based on your caregiver's W-4 form. This is an employee-only withholding. You do not contribute to the federal income tax. How much your caregiver owes in federal income tax depends on their income and filing status.

## **Federal Unemployment Tax (FUTA)**

If you pay your household caregiver \$1,000 or more during any calendar quarter, then you are responsible for paying federal unemployment taxes. This tax is paid by the employer only. It's six percent on the first \$7,000 of gross wages.

## **State Unemployment Insurance**

State unemployment insurance typically falls between two and five percent on a certain amount of each caregiver's gross wages. Like FUTA, this is paid by the employer only and is not withheld from a caregiver's pay.

## **State Income Tax**

As with federal income tax, withholding state income tax is not required unless agreed upon by you and your caregiver. However, withholding taxes on a regular basis will help your caregiver distribute their owed income tax over the course of a year, rather than paying it all at once when taxes are due.

## **Disability Insurance**

Five states (California, Hawaii, New Jersey, New York, and Rhode Island) require you to withhold additional taxes for disability insurance. These programs are state-mandated and funded through caregiver payroll deductions. They provide short-term benefits to caregivers who are unable to work due to a non-work related illness or injury.

## **Local Income Taxes**

A number of cities, towns, counties, and school districts across the country levy their own income taxes, which is in addition to any state income taxes.



You may be able to take a credit against your FUTA tax for amounts you paid into state unemployment funds. It could be as much as 5.4 percent of FUTA taxable wages



# Employer Responsibilities Beyond Tax Obligations

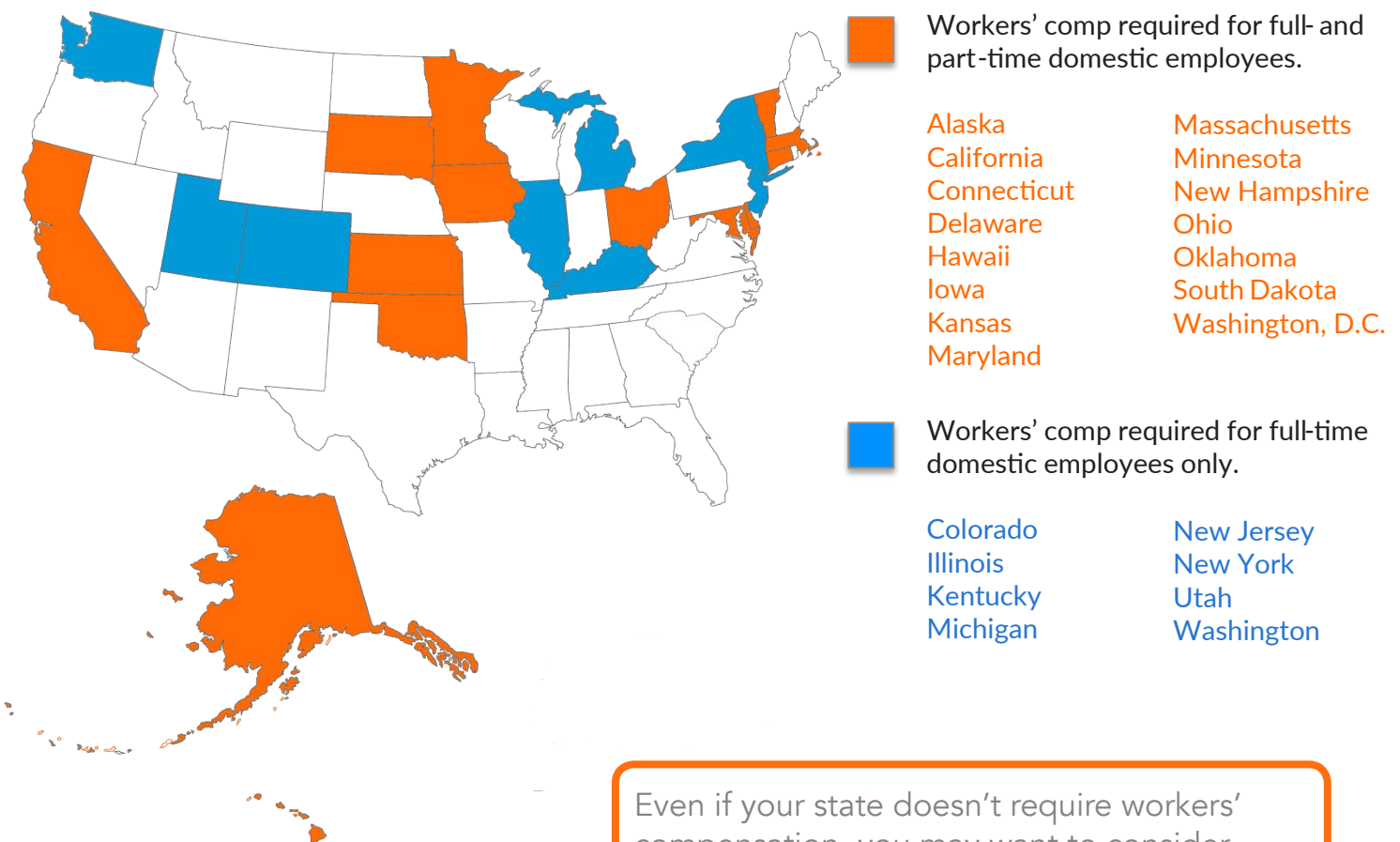
Many states require household employers to carry a workers' compensation insurance policy.

In some states, workers' compensation insurance is needed for just full-time caregivers and other states include part-time workers.

Workers' compensation helps protect a caregiver who is injured or becomes ill on the job by covering necessary medical expenses and a portion of lost wages.

Your homeowner's insurance policy may not cover these situations. Without the required – or proper – coverage, you may be liable for thousands of dollars in medical bills or face a costly lawsuit from your caregiver to recover lost wages.

In states where you are required to carry workers' compensation insurance, fines can be as high as \$5,000 for every 10 days without a policy.



Even if your state doesn't require workers' compensation, you may want to consider having a policy for peace of mind for you and your caregiver.

# Employer Responsibilities Beyond Tax Obligations

Household employers must understand federal, state, and local employment laws that pertain to in-home caregivers.

**Regulations may go beyond just tax obligations. They could indicate:**

- How often a caregiver should be paid
- Limit on consecutive days worked
- When overtime pay occurs
- Required paid time off
- Detailed pay rate information
- And much more

These regulations are sometimes bundled together as a "Domestic Workers' Bill of Rights."

**Minimum Wage** According to the Fair Labor Standards Act (FLSA), household in-home senior caregivers must be paid at least the federal minimum wage or state minimum wage, whichever is higher.

Currently, the federal minimum wage is \$7.25 per hour. Some states have a minimum wage as high as \$15 per hour with some metropolitan areas even higher.

**Overtime Pay** You are also required to pay overtime of at least one and a half times the regular pay rate. Overtime pay must be paid for work over 40 hours per week.


However, some live-in caregivers are exempt from overtime depending on the state in which they are employed. Keep in mind, state and local laws for overtime vary and may supersede the federal FLSA law.

**Companionship Care Exemption** Companionship care is defined as "fellowship and protection" for a person who, because of advanced age or infirmity, is unable to care for himself or herself. Overtime requirements don't apply if less than 20 percent of worker's time can be spent on activities like bathing, dressing, preparing meals, driving to appointments and housekeeping.

Seven states and the City of Seattle have enacted labor laws to protect domestic workers' rights.



Domestic Workers'  
Bill of Rights  
<http://bit.ly/CAdwbr>



Domestic Worker  
Protection  
<http://bit.ly/Hldwp>



Domestic Workers'  
Bill of Rights  
<http://bit.ly/ILdwbr>




Domestic Workers'  
Bill of Rights  
<http://bit.ly/MASSdwbr>




Domestic Workers'  
Bill of Rights  
<http://bit.ly/NVdwbr>



Domestic Workers' Bill  
of Rights  
<http://bit.ly/NYdwbr>



Domestic Workers'  
Protection Act  
<http://bit.ly/ORDwpa>



Seattle's Domestic  
Workers Ordinance  
<http://bit.ly/seaDWO>

# Complying with Sleeping Time Laws

## How to determine when sleeping time should be paid

There may be times when you require a senior caregiver for overnight care, long shifts or you may hire a live-in caregiver. Sleeping time requirements vary by the type of shift your caregiver is working. Typically, you'll need to pay your caregiver for their time spent sleeping. Below are the standards set by the Fair Labor Standards Act (FLSA).

### Caregiver is on duty for less than 24 hours

Let's say your caregiver works a 16-hour shift from 5 p.m. to 9 a.m. The senior goes to bed around 10 p.m. The caregiver may be allowed to sleep as well if all their other duties are completed and knowing that they must awake to respond to any of the senior's needs. Even though they are sleeping, the caregiver remains on duty to perform work. That means they are paid for all hours on the job including those when they may be allowed to sleep. Remember overtime pay of at least time and a half applies to hours worked over 40 in a week.

### Caregiver is on duty for 24 or more hours

If your caregiver is on the job for 24 or more hours, sleeping time and meal periods must be paid.

However, you could come to an agreement with your caregiver to exclude sleeping time and meal periods from hours worked. To do this, you must provide adequate sleeping facilities and the caregiver must get eight hours of uninterrupted sleep.

If your caregiver's sleep time is interrupted to perform work and, as a result, they get five or fewer hours of sleep, you must count all time as hours worked including hours the employee slept. If your caregiver performs work during their sleeping time but they still get more than five hours of sleep, then you need to pay only for the time the caregiver worked.

Again, rules on overtime pay apply.

### Caregiver resides on the premises

If you hire a live-in caregiver, you are typically not required to pay them for sleeping time. Your caregiver is considered to have adequate time for personal activities and can even leave the employer's premises for personal reasons.

### State laws

Several states – most notably California – have their own requirements about sleeping time. While these state laws may be similar to FLSA requirements, you must comply with the provision that is more favorable to your caregiver.

# Employee Tax Responsibilities

At the start of their employment, you should inform your caregiver of their payroll tax obligations. This way there are no surprises on the first pay day.

**Caregivers are liable for four key taxes:**

- Social Security (6.2 percent)
- Medicare (1.45 percent)
- Federal income tax
- State income tax (if applicable)

Federal and state income taxes are not required to be withheld unless agreed upon by you and your caregiver.

Your caregiver may also be subject to local income tax.

While not required, withholding taxes on a regular basis will benefit your caregiver.

This way their income tax obligations are distributed throughout the year rather than paying a lump sum at the end of the tax year.

It also helps document their employment history as well as ensure both you and your caregiver are compliant with the law.



# Negotiating a Pay Rate

Before discussing money, understand the difference between gross pay and net pay.

**Y**ou likely have an hourly rate in mind that you'd be comfortable paying a senior caregiver. When determining your budget, keep in mind your tax responsibilities that need to be paid on top of your caregiver's pay.

You may also need to pay for workers' compensation insurance.

According to federal law, household employees are non-exempt, which means they are paid an hourly rate and not a salary.

## Gross Pay

This is the pay for your caregiver before taxes are withheld.

## Net Pay

Sometimes referred to as "take home" pay, this is the amount of money your caregiver receives after all taxes have been withheld.

You should be clear with a potential hire whether you're offering gross pay or net pay to avoid any confusion come pay day.

Let's say you live in New York State and would like to pay a caregiver \$12.50/hour for 40 hours of work each week (or \$500 in gross pay per week). There is no overtime involved.

Description	Per Pay Period (Weekly)	Calendar Year
Federal Unemployment	\$3	\$42
Social Security	\$31	\$1,612
Medicare	\$7.25	\$377
State Unemployment	\$20.50	\$446.90
<b>Employer Tax Responsibility</b>	<b>\$61.75</b>	<b>\$2,477.90</b>
<b>Employee Gross Pay</b>	<b>\$500</b>	<b>\$26,000</b>
<b>Employer Total Responsibility</b>	<b>\$561.75</b>	<b>\$28,477.90</b>



# Employee Pay

On the caregiver side, their \$500/week gross pay is equal to just under \$400 in take home pay.

Description	Per Pay Period (Weekly)	Calendar Year
Gross Pay	\$500	\$26,000.00
Federal Income Tax*	(\$47.50)	(\$2,470.00)
Social Security	(\$31)	(\$1,612.00)
Medicare	(\$7.25)	(\$377.00)
State Income Tax*	(\$14.59)	(\$758.68)
<b>Employee Net (Take Home) Pay</b>	<b>\$399.66</b>	<b>\$20,782.32</b>

\*Based on withholding status of single with 0 allowances.

These calculations were determined by using GTM's Tax Calculator for Nannies and Other Household Employees.

Visit [bit.ly/GTMCALculator](https://bit.ly/GTMCALculator) (URL is case sensitive) to determine a gross pay and hourly rate for your caregiver that will generate a specific take-home pay.



# Reporting and Filing Payroll Taxes

## Federal Taxes

**Y**ou have the option to file your federal employer taxes annually or quarterly.

Either way, you must report all federal taxes by submitting Schedule H with your personal tax return (Form 1040). Schedule H is an annual reconciliation form that is used to report wages paid to your caregiver throughout the year.

You may also pay estimated taxes on a quarterly schedule. This can help alleviate your tax burden at the end of the year.

To file quarterly, you will need to submit Form 1040-ES (Estimated Tax for Individuals), which estimates your caregiver's federal income tax, employer and employee Social Security and Medicare taxes, and the employer federal unemployment tax.

Another option, if not paying quarterly, is to have additional federal income tax withheld from your own salary.

This may help avoid owing a large amount on your personal federal tax return.

You must also provide your caregiver with Form W-2 (Wage and Tax Statement) on or before January 31.

This provides a breakdown of all withholding and income throughout the previous calendar year and helps your employee submit their individual income tax returns.

By January 31, you must also file your (employer's) copy of an employee's W-2 and W-3 to the Social Security Administration.

The W-3 is a reconciliation of all W-2s for each employee, even if you have only one caregiver.



## Federal Tax Calendar

Quarter	Due Date*
First (Jan – Mar)	Apr 15
Second (Apr – May)	Jun 15
Third (Jun – Aug)	Sep 15
Fourth (Sep – Dec)	Jan 15

\*Quarterly taxes are typically due on the 15th of the month but may be later if the date falls on a Sunday or holiday.



## Federal Tax Forms

### Schedule H

<https://www.irs.gov/pub/irs-pdf/f1040sh.pdf>

### Form 1040-ES

<https://www.irs.gov/pub/irs-pdf/f1040es.pdf>

### Form W-3

<https://www.irs.gov/pub/irs-pdf/iw2w3.pdf>

# Reporting and Filing Payroll Taxes

## State Taxes

**M**ost states require a quarterly filing of state taxes.

However, state tax quarters do not align with federal tax quarters.

States require taxes to be submitted every three months, typically one month after the quarter ends.

After you are registered as an employer with the state, you'll receive blank quarterly forms with instructions on how and when to file.

Many states now require you to remit your taxes electronically and may penalize you if you pay by check.

## Filing State Taxes Calendar

Quarter	Due Date*
First (Jan – Mar)	Apr 30
Second (Apr – Jun)	Jul 31
Third (Jun – Sep)	Oct 31
Fourth (Oct – Dec)	Jan 31

\*These dates apply to most states. However, you should confirm with your state tax agency on that state's quarterly filing deadlines.



# Who is a Qualifying Dependent?

Determine whether the person receiving care is your qualifying dependent.

If the person receiving care qualifies as your dependent, you may be able to reduce your tax burden through a Dependent Care Assistance Program, Medical Expense Deduction or the Child and Dependent Care Tax Credit.

First you must determine whether the person receiving care is your qualifying dependent.

1. The person must be a U.S. citizen, a U.S. national or a resident of the U.S., Canada or Mexico.
2. You must be the only one claiming this person as a dependent. If you are sharing care for a parent with a sibling, for example, only one sibling can claim the parent as a dependent.
3. They can't take a personal exemption for themselves or claim another dependent on their tax return.
4. They can't file a joint tax return if they are married.
5. They must have a gross income of less than \$4,050.  
This includes all income in the form of money, property, and services that isn't exempt from tax. Tax-exempt income, such as certain social security benefits, isn't included in gross income.
6. You must provide more than half of the person's total financial support for the year. This can include the fair market value for space in your home if the person receiving care lived with you and didn't pay rent.

Note: There is no age limit on qualifying relatives.

For additional guidance refer to [IRS Publication 501](#) and the section on [qualifying relatives](#).



# Reducing Your Tax Burden

## Dependent Care Assistance Program/Flexible Spending Account

If the senior needing care is your dependent, you may be able to reimburse your dependent care expenses (such as your employer taxes or a portion of your caregiver's pay) with pre-tax funds through your employer-sponsored Dependent Care Assistance Program (DCAP) or Flexible Spending Account (FSA).

If your employer offers a plan, you can set aside up to \$5,000 per year of tax-free money. This helps reduce your taxable income and, depending on your marginal tax rate, can save you up to \$2,300 per year. Check with your company's human resources department to see if there is a program available to you and would apply to your dependent care situation.

## Child and Dependent Care Tax Credit

You may be able to take advantage of the Child and Dependent Care Tax Credit (Form 2441) – regardless of your income level – on your personal income tax return. Again, this depends on whether the senior needing care is your dependent.

You can claim up to \$3,000 of qualifying dependent care expenses (such as your caregiver's pay) paid in a year for one qualifying individual or \$6,000 for two or more qualifying individuals.

The 20 percent credit on these expenses can save you \$600 for families with one dependent or \$1,200 if you have two or more dependents.

## Medical Expense Deductions

If you are considered the caregiver's employer for tax purposes, then you may be able to claim an itemized deduction for qualifying caregiving costs as medical expenses.

Medical expenses must exceed 10 percent of your adjusted gross income (AGI) to be deductible and only "qualifying" expenses are eligible.

If either you or your spouse was born before January 2, 1952, you can deduct qualifying medical expenses that are more than 7.5 percent of your AGI.

Medical expenses include amounts paid for qualified long-term care services. Wages paid to in-home caregivers for caring for the elderly person's condition – such as giving medication, bathing and grooming – may qualify.

However, if you pay an employee to perform household tasks such as cooking and cleaning, you won't be able to deduct these wages as a medical expense.

Refer to [IRS Publication 502](#) for additional guidance on medical expenses.

**Note:** You can't claim the same expenditures for the medical expense deduction and either of the dependent care tax breaks.





# Senior Care Employment Tax Calendar

Month	Date	Event
January	15	4th Quarter (Prior Year) Federal Estimated Taxes Due (Form 1040-ES)
	31	4th Quarter (Prior Year) State Income Taxes Due
	31	4th Quarter (Prior Year) Unemployment Taxes Due
	31	W-2 form(s) mailed to employee(s)
	31	Copy A of Form W-2 and Form W-3 submitted to the Social Security Administration
APRIL	15	1st Quarter Federal Estimated Taxes Due (1040-ES)
	15	Federal (Prior Year) Schedule H Due with Form 1040
	30	1st Quarter State Income Taxes Due
	30	1st Quarter State Unemployment Taxes Due
JUNE	15	2nd Quarter Federal Estimated Taxes Due (1040-ES)
JULY	31	2nd Quarter State Income Taxes Due
	31	2nd Quarter State Unemployment Taxes Due
SEPTEMBER	15	3rd Quarter Federal Estimated Taxes Due (1040-ES)
OCTOBER	31	3rd Quarter State Income Taxes Due
	31	3rd Quarter State Unemployment Taxes Due

Download [IRS Tax Calendars, Publication 509](https://www.irs.gov/forms-pubs/publication-509-tax-calendars). (<https://www.irs.gov/forms-pubs/publication-509-tax-calendars>)

# Senior Care Payroll and Tax Checklist

## BEFORE HIRING

- ☐ Understand federal, state, and local tax, wage, and labor laws including workers' compensation, disability insurance, and domestic workers' bill of rights.
- ☐ Obtain your employer identification number.

## AT THE TIME OF HIRE

- ☐ If you are withholding income taxes, provide your caregiver with Form W-4.
- ☐ Obtain Form I-9 for caregiver employment eligibility and identity verification.
- ☐ Apply for a state unemployment ID number.
- ☐ Apply for a state withholding number (if applicable).
- ☐ Apply for a state new hire report.
- ☐ Obtain form 1040-ES for estimated tax payments (if desired).
- ☐ Agree to a regular pay period schedule with your caregiver following any applicable state laws.

## ON PAY DAY

- ☐ Withhold Social Security and Medicare taxes from your caregiver's gross pay.
- ☐ Withhold federal and state income taxes (if agreed upon) from your caregiver's gross pay.

## ONGOING

- ☐ Pay employer federal, state, and local taxes on time.
- ☐ Keep records in a safe place for at least seven years.

## ANNUALLY

- ☐ Provide your caregiver with Form W-2 (Wage and Tax Statement) on or before January 31.
- ☐ Send Copy A of Form W-2 along with Form W-3 to the Social Security Administration by January 31.
- ☐ File Schedule H with your federal income tax return (Form 1040) by April 15.

# Let GTM Handle Your Senior Care Taxes

You have better ways to use your time than spending it on the administrative tasks of household tax and payroll. Let us manage your senior care taxes and payroll with a full range of services including:

## **Automatic payroll processing with free direct deposit**

Set your caregiver's hours and pay rate once. Make changes only when needed. Direct deposit makes payday even easier.

## **100% guaranteed on time, every time tax filings**

If you receive a notice from the IRS, or any other tax agency, based on a filing that GTM Payroll Services made, we'll work with the agency on your behalf to resolve the issue. If we're at fault, we'll pay all the associated penalties and fines.

## **Ease of use for you and your caregiver**

Easily make any changes online at your convenience. Download forms, track PTO, export data to Quicken, and much more...all from the convenience of your computer or mobile device. Your caregiver also has online access to their tax forms and pay stubs.

## **Online, secure access to your data**

Access your account online or with a mobile device and have peace of mind knowing that we employ audited controls and security measures, including two-factor authentication to prevent identity theft and misuse of data.

## **Workers' compensation insurance policies**

GTM is the only payroll service to offer workers' compensation policies in-house. We'll handle all of your invoices, audits, and claims.

## **Compliance with tax and labor laws**

Our team of household employment experts stays up to date on all changes to laws pertaining to senior care taxes and household employment and will help ensure your compliance.

## **Additional insurance options**

We also provide health, dental, and vision insurance as well as a 401k retirement plan. These types of benefits are affordable and can help you attract and retain top talent.

## **Concierge level support**

Enjoy unlimited guidance and advice from our team of household employment experts, certified payroll professionals, licensed insurance brokers, and CPAs. We think they're the best in the business and you will too. They're just a call, email or web chat away.

Get a free, no-obligation consultation with a household employment expert. We'll review your hiring situation and provide advice on the best way to manage your payroll, tax, and insurance obligations.

**Call (800) 929-9213 today!**



# Resources

## HOUSEHOLD EMPLOYER TAX FORMS

[Form 1040-ES – Estimated Tax for Individuals \(with Instructions\)](#)

[Form 2441 – Child and Dependent Care Expenses](#)

[Form 2441 – Child and Dependent Care Expenses Instructions](#)

[Form 8821 – Tax Information Authorization](#)

[Form SS4 – Application for Employer Identification Number](#)

[Form SS8 – Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding](#)

[Form W-10 – Dependent care Provider's Identification and Certification](#)

[Handbook for Employers: Guidance for Completing Form I-9](#)

[Publication 15 – \(Circular E\), Employer's Tax Guide](#)

[Publication 503 – Child and Dependent Care Expenses](#)

[Publication 926 – Household Employer's Tax Guide](#)

[Publication 1779 – Independent Contractor or Employee](#)

## HOUSEHOLD EMPLOYEE TAX FORMS

[Form I-9 – Employment Eligibility Verification \(with Instructions\)](#)

[Form W-4 Employee's Withholding Allowance Certificate](#)

[IRS Help with Tax Withholding](#)

[IRS Withholding Calculator](#)

[Social Security Numbers for Noncitizens](#)





## Contact Information

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(800) 929-9213

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[GTM.com/household](http://GTM.com/household)

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