

Contents

Introduction.....	3
About this Guide	4
14 Steps to Compliance.....	5
Hiring an In-Home Caregiver.....	6
Employee or Independent Contractor	7
Benefits and Protections for Your Family.....	8
Benefits and Protections for Your Caregiver	9
When You Need to Pay Taxes.....	10
Filing to Become an Employer	11–12
Understanding Tax Laws and What You Need to Pay	13
Employer Responsibilities Beyond Tax Obligations.....	14–15
Complying with Sleeping Time Laws.....	16
Employee Tax Responsibilities	17
Negotiating a Pay Rate	18
Employee Pay	19
Reporting and Filing Payroll Taxes.....	20–21
Who is a Qualifying Dependent?	22
Reducing Your Tax Burden.....	23
Senior Care Employment Tax Calendar.....	24
Senior Care Payroll and Tax Checklist.....	25
Let GTM Handle Your Senior Care Taxes	26
Resources	27
Contact Information	28

About this Guide

Payroll. 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.

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

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.

You 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
Employer Tax Responsibility	\$61.75	\$2,477.90
Employee Gross Pay	\$500	\$26,000
Employer Total Responsibility	\$561.75	\$28,477.90

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](#)



