

# Temporary and Part-Time Employment Law

## Tax and Legal FAQs for Families Hiring Temporary or Part-Time Employees

Families hiring temporary or part-time household help often wonder what requirements apply to them. Here are answers to some FAQs:

### **IS MY TEMPORARY HOUSEHOLD WORKER AN INDEPENDENT CONTRACTOR OR MY EMPLOYEE?**

When you hire a caregiver — whether temporarily or on an ongoing basis, part-time or full-time— they are your employee. They are not an independent contractor. Their classification is determined by the nature of the work, and the IRS has ruled definitively that caregivers should be classified as employees.

### **AS A HOUSEHOLD EMPLOYER, DO I HAVE PAYROLL AND TAX OBLIGATIONS?**

Household employment tax requirements are determined by the amount of gross wages that you pay your temporary employee. If you pay a temporary employee less than \$2,700 in a calendar year, you are not required to follow the tax withholding and reporting requirements.

When you pay a household employee more than \$2,700 in a year (or over \$1,000 in a calendar quarter), you must follow the IRS tax withholding and reporting requirements. Briefly, that means you are required to file employment tax returns quarterly and pay some state and federal employment taxes on their salary. Note- Some states have lower reporting thresholds. For a detailed compliance checklist, please contact the HomePay team.

It is important to note that, regardless of how much you pay your employee(s), you are legally considered a household employer. As such, you are required to adhere to state and federal labor laws, such as paying an overtime premium for hours worked over 40 in a week.

### **ARE THERE ANY TAX BREAKS?**

Yes! There are two tax breaks available to all working families with dependent care expenses: 1) Flexible Spending Account (offered through most companies) and 2) the Dependent Care Tax Credit. For families hiring temporary or part-time caregivers, these tax savings will usually exceed the employer tax costs mentioned above – sometimes by as much as \$1,000 - \$1,500 at least!

Bottom Line: It's legally and financially prudent to set up payroll properly and keep track of your care-related expenses. For an estimate of your tax costs — and your tax breaks — please contact our team to provide payroll calculations.

### **HOW DO I TAKE ADVANTAGE OF THE TAX BREAKS?**

The first time you employ a caregiver, you should obtain her full name, phone number and Social Security Number. You will need this information to take advantage of tax breaks — either through your Flexible Spending Account or the Dependent Care Tax Credit.



HomePay, Provided by Breedlove is the nation's leading specialist in the unique area of household employer payroll, tax & labor law. Our simple, affordable service provides a no-work, no-worry solution to paydays, tax time and all points in between. To learn more, [visit our website](#).

If you have any questions about your situation, please call for a complimentary consultation.