

## **HOUSEHOLD EMPLOYEES, I.E. NANNY TAX**

(i.e. Zoe Baird, "It's time to clean up your act!")

These employees can be babysitters, housekeepers (cleaning people), health care providers, or cooks or maids – (we should only be so lucky!)

This applies only if you pay them more than \$1700.

This applies only if they are over 18 years of age.

If you have adequate Homeowner's and/or Renter's Insurance, you will not need Workman's Compensation. Call your insurance agent and make sure.

**An Application for Employer Identification Number (attached) needs to be filled out. You should fax completed form to (801) 620-7115 IRS at Ogden (provide your fax number) or Fresno (will receive number within 5 days) at (209) 456-5907. Location is dependent upon where you file your taxes.**

### **For State Of California:**

1. Call EDD and request the 2008 Household Employer's Guide **DE 44** – 1-888-745-3886. Also request Form DE 34 (Report of New Employee). You may also choose to fill out or download these forms from the Internet. The address is <http://www.edd.ca.gov/taxrep/taxform.html>
2. If you pay a household employee less than \$20,000 per year:
  - (a) You may elect to pay tax once a year by filing Form DE 89 by the last day of the first quarter of which the employee was hired.
  - (b) You will also file Form DE 3BHW each quarter. This form is for information only. No monies are sent in!
  - (c) You will file Form DE 3 HW at the end of the year and pay all tax due at that time.

### **This will include:**

Unemployment 5.4% New Employee  
0.1% Employment Training Tax (for some)

**On 1<sup>st</sup> \$7000 of wages only**

and SDI, which is withheld from the employee and is also paid with this form. SDI is 1.1%.

**For Federal:**

- (1) When you file your 2008 tax return, you will also file a Schedule H. You will then pay both yours and your employee's share of Social Security (FICA).

The amount is: 6.2% Reg. Soc. Sec. 1.45% Medicare  
paid by you and matched by your employee.

You will also, at that time, pay the annual FUTA (Federal Unemployment) which equals .8% of Wages as long as you file timely (up to a maximum of \$7000 wages) and pay more than \$1000 per quarter.

**You should be deducting the 7.65% Social Security (w/Medicare) and 1.1% SDI from each employee's paycheck.**

**Analysis: Net result of \$5000 paid to a babysitter in one year**

**Paid by You:**

|                                   |              |
|-----------------------------------|--------------|
| ½ of Soc. Sec. + Medicare (7.65%) | \$382.50     |
| California Unemployment (5.5%)    | 275.00       |
| Fed. Unemployment (.8%)           | <u>40.00</u> |

YOUR TOTAL OUT OF POCKET \$697.50

**Paid by Employee**

|                           |                 |
|---------------------------|-----------------|
| ½ of Soc. Sec. + Medicare | \$382.50        |
| SDI (1.1%)                | <u>55.00</u>    |
| <b>TOTAL</b>              | <b>\$437.50</b> |

**Analysis: Net result of \$1920 per year paid to Housecleaner**

**Paid by You:**

|                                   |               |
|-----------------------------------|---------------|
| ½ of Soc. Sec. + Medicare (7.65%) | \$146.88      |
| California Unemployment (5.5%)    | <u>105.60</u> |

YOUR TOTAL OUT OF POCKET \$252.48

**Paid by Employee**

|                                   |                 |
|-----------------------------------|-----------------|
| ½ of Soc. Sec. + Medicare (7.65%) | \$146.88        |
| SDI (1.1%)                        | <u>21.12</u>    |
| <b>TOTAL</b>                      | <b>\$148.42</b> |

## WHO IS A HOUSEHOLD EMPLOYER?

If you pay wages to people who work in or around your home, you may be considered a household employer. Your household employment may take place in a variety of settings, such as a:

- House
- Apartment
- Boat or mobile home
- Summer or winter home
- Condominium
- Local college club
- Local chapter of a college fraternity or sorority
- Hotel room (when the worker is employed by you, not the hotel)

Private homes include fixed places of residence, apartments, and hotel rooms in which an individual or family resides. Private homes do not include premises used primarily as a business enterprise, such as a residential care home, boarding house, or hospital.

Examples of workers who should be considered household employees are listed on page 8.

When you have paid \$750 in cash wages in a calendar quarter to people who work in or around your home as your employees, you have 15 days to register with EDD. (See the examples on page 4 to help you determine when to register.) To register with EDD, complete a *Registration Form for Employers of Household Workers (DE 1HW)*.

There are two types of household employers: **annual** taxpayers and **quarterly** taxpayers. The flowchart on page 5 will help you determine if you should register as an annual taxpayer or a quarterly taxpayer.

Once registered, EDD will send you wage reporting forms each quarter. The four quarters in a year are:

| Quarter         | Months In the Quarter       |
|-----------------|-----------------------------|
| 1 <sup>st</sup> | January, February, March    |
| 2 <sup>nd</sup> | April, May, June            |
| 3 <sup>rd</sup> | July, August, September     |
| 4 <sup>th</sup> | October, November, December |

## WHO ARE HOUSEHOLD EMPLOYEES?

Household employees are workers that you hire to work in and around your home. Refer to the chart below for a list of workers and whether they are or are not considered household employees. A household employee may perform services on a temporary or less than full-time basis.

| These Are Household Employees <sup>1</sup>  | These Are Not Household Employees  |
|---|--|
| <ul style="list-style-type: none"> <li>- Baby-Sitters</li> <li>- Butlers</li> <li>- Caretakers</li> <li>- Chauffeurs</li> <li>- Cooks<sup>2</sup></li> <li>- Crews of Private Yachts</li> <li>- Gardeners<sup>3</sup></li> <li>- Governesses/Governors</li> <li>- Home Health Care Workers</li> <li>- Housekeepers</li> <li>- Janitors</li> <li>- Laundry Workers</li> <li>- Maids</li> <li>- Pilots of Private Airplanes for Family Use</li> <li>- Valets</li> <li>- Waiters/Waitresses<sup>2</sup></li> <li>- Pool Maintenance Persons<sup>4</sup></li> </ul> | <ul style="list-style-type: none"> <li>- Carpenters</li> <li>- Electricians</li> <li>- Librarians</li> <li>- Musicians</li> <li>- Nurses Leased From a Nursing Registry</li> <li>- Painters</li> <li>- Plumbers</li> <li>- Private Secretaries</li> <li>- Tutors</li> <li>- Workers Leased From an Employee Leasing Service<sup>5</sup></li> <li>- Workers Provided by Independent Businesses (for example: a janitorial service, catering service, gardening service, or pool maintenance service)</li> </ul> |
| <p>Family Employment – Spouses, parents, minor children (under 18 years old), and registered domestic partners are not considered employees for payroll tax reporting purposes. However, if both the employer and exempt family member agree, they can voluntarily elect to withhold, report and pay State Disability Insurance and/or Personal Income Tax. For further information, please refer to Information Sheets: <i>Family Employment</i> (DE 231FAM) and <i>Specialized Coverage</i> (Elective Coverage for Exempt Workers) (DE 231SC).</p>            |  |

<sup>1</sup> This list is **not** intended to be a complete list of household employees.

<sup>2</sup> Unless employed by a catering service.

<sup>3</sup> Unless employed by a gardening service.

<sup>4</sup> Unless employed by a pool maintenance service.

<sup>5</sup> As long as the requirements of California Unemployment Insurance Code (CUIC), Section 606.5 are met.

To obtain the *Information Sheet: Household Employment* (DE 231L), access EDD's Web site at [www.edd.ca.gov/pdf\\_pub\\_ctr/de231l.pdf](http://www.edd.ca.gov/pdf_pub_ctr/de231l.pdf) or request Document No. 3210 from our Fax on Demand at (877) 547-4503. You may also contact the Taxpayer Assistance Center at (888) 745-3886 to obtain a DE 231L or for assistance in determining whether the people who work for you are independent contractors or household employees.

**WHAT ARE PAYROLL TAXES?**

| <b>2009 Payroll Tax Chart</b>  |  |   |  |  |
|--|--|---|--|--|
| <b>Payroll Tax</b>   | <b>Who Pays</b>  | <b>Taxable Wages</b>                                      | <b>Tax Rate</b>  | <b>Maximum Tax</b>   |
| <b>Unemployment Insurance (UI)</b>   | Employer   | First \$7,000 of wages per employee, in a calendar year.  | New employer tax rate is 3.4 percent (.034) for up to three years. Following this period, the tax rate is calculated annually based on each employer's previous UI experience.   | \$434 per employee, per year (calculated at the highest UI tax rate of 6.2 percent).<br><br>Your maximum UI tax amount will be less if your rate is less than 6.2 percent. |
| <b>Employment Training Tax (ETT)</b>   | Employer   | First \$7,000 of wages per employee, in a calendar year.  | Set by law at 0.1 percent (.001) of UI taxable wages for employers with positive UI reserve account balances.  | \$7 per employee, per year   |
| <b>State Disability Insurance (SDI)</b><br><br>Disability Insurance (DI) and Paid Family Leave (PFL) are components of the SDI Program and are included in the SDI tax rate. | Employee.<br>Employer withholds SDI from employee wages; employers are responsible for SDI not withheld from employee wages. If the employer pays SDI for employee(s), see page 12.  | First \$90,669 of wages per employee, in a calendar year. | The 2009 tax rate is 1.1 percent (.011).<br><br>Set by the California State Legislature, the SDI rate may change each year. The EDD notifies employers of the new rate each December.  | \$997.36 per employee, in a calendar year.   |
| <b>California Personal Income Tax (PIT)</b>  | Employee.<br>Household employers are not required to withhold PIT from employee wages unless <b>both</b> the employer and employee agree to withhold the tax. However, the employee is still responsible for reporting wages and paying any PIT due to the California Franchise Tax Board. | Normally, all PIT wages (cash and noncash)                | PIT is withheld based on each <i>Employee's Withholding Allowance Certificate</i> (Form W-4 or DE 4) and the withholding schedules in the <i>California Employer's Guide</i> (DE 44), available by calling the Taxpayer Assistance Center at (888) 745-3886. The tables are also on EDD's Web site at <a href="http://www.edd.ca.gov/Payroll_Taxes/Rates_and_Withholding.htm">www.edd.ca.gov/Payroll_Taxes/Rates_and_Withholding.htm</a> . | No maximum   |

## WHAT ARE PAYROLL TAXES?

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### Withholding California Personal Income Tax

If a household employee wishes to have California Personal Income Tax (PIT) withheld from his or her wages **and** you agree to withhold it, you need to report and send the PIT withheld to EDD.

To have California PIT withheld, your employee(s) must complete a federal *Employee's Withholding Allowance Certificate* (Form W-4) or State *Employee's Withholding Allowance Certificate* (DE 4). You can refer your employee(s) to the online calculator at [www.taxes.ca.gov/de4.xls](http://www.taxes.ca.gov/de4.xls) (Microsoft Excel required), which prints the DE 4 after calculating the withholding allowances.

The PIT withholding tables are located at [www.edd.ca.gov/Payroll\\_Taxes/Rates\\_and\\_Withholding.htm](http://www.edd.ca.gov/Payroll_Taxes/Rates_and_Withholding.htm) on EDD's Web site, and are available in the *California Employer's Guide* (DE 44).

To obtain a DE 4 or DE 44, access EDD's Web site at [www.edd.ca.gov/Payroll\\_Taxes/Forms\\_and\\_Publications.htm](http://www.edd.ca.gov/Payroll_Taxes/Forms_and_Publications.htm) or call the Taxpayer Assistance Center at (888) 745-3886. You may also obtain the DE 4 from our Fax on Demand at (877) 547-4503 (Document No. 1090).

Meals and lodging are excluded from PIT wages and withholding if you provide meals and lodging to your employee(s) because it is convenient for you **and**:

- meals are furnished on your premises
- and/or**
- lodging is furnished on your premises and required as a condition of employment.

**Example:** A governess eats and lives in your home so she can take care of your children. The value of the meals and lodging would not be considered PIT wages, and PIT would not be withheld because the meals and lodging are furnished on your premises for your convenience. However, it would be included in total subject wages reported on the *Employer of Household Worker(s) Quarterly Report of Wages and Withholdings* (DE 3BHW) for Annual Taxpayers and on the *Quarterly Wage and Withholding Report* (DE 6) for Quarterly Taxpayers. For additional information, download the *Information Sheet: Personal Income Tax Wages Reported on the Employer of Household Worker(s) Quarterly Report of Wages and Withholdings* (DE 231PH) at [www.edd.ca.gov/pdf\\_pub\\_ctr/de231ph.pdf](http://www.edd.ca.gov/pdf_pub_ctr/de231ph.pdf).

If the value of meals and lodging is considered PIT wages, these amounts must be added to the cash wages paid to your workers before computing the amount of PIT to withhold. Please see the "Values of Meals and Lodging" tables on page 13 to determine the cash value to report.

An employee's calendar year total for PIT wages should agree with the amount reported in Box 16 on the employee's *Wage and Tax Statement* (Form W-2). For additional information on Form W-2, see page 61. The PIT wages are reported separately from subject wages on the quarterly wage reports (DE 3BHW or DE 6) you will file with EDD. While household employers are not required to **withhold** PIT, they are required to **report** PIT wages.

**2009 CALENDAR OF FILING DATES**

| <b>Delinquent If Not Postmarked or Received by</b> | <b>Annual Taxpayers</b>  | <b>Quarterly Taxpayers</b>   |
|--|--|--|
| February 2, 2009                                   | <ul style="list-style-type: none"> <li>• File <i>Employer of Household Worker(s) Quarterly Report of Wages and Withholdings</i> (DE 3BHW) for quarter ending December 31, 2008</li> <li>• File <i>Employer of Household Worker(s) Annual Payroll Tax Return</i> (DE 3HW) with payment for 2008</li> <li>• Furnish <i>Wage and Tax Statements</i> (Forms W-2) and Earned Income Tax Credit notification to employees for 2008. (See page 61 for additional information.)</li> </ul> | <ul style="list-style-type: none"> <li>• File <i>Payroll Tax Deposit</i> (DE 88) with payment for quarter ending December 31, 2008</li> <li>• File <i>Quarterly Wage and Withholding Report</i> (DE 6) for quarter ending December 31, 2008</li> <li>• File <i>Annual Reconciliation Statement</i> (DE 7) for 2008</li> <li>• Furnish <i>Wage and Tax Statements</i> (Forms W-2) and Earned Income Tax Credit notification to employees for 2008. (See page 61 for additional information.)</li> </ul> |
| April 30, 2009                                     | <ul style="list-style-type: none"> <li>• File DE 3BHW for quarter ending March 31</li> </ul>   | <ul style="list-style-type: none"> <li>• File DE 88 with payment for quarter ending March 31</li> <li>• File DE 6 for quarter ending March 31</li> </ul>   |
| July 31, 2009                                      | <ul style="list-style-type: none"> <li>• File DE 3BHW for quarter ending June 30</li> </ul>  | <ul style="list-style-type: none"> <li>• File DE 88 with payment for quarter ending June 30</li> <li>• File DE 6 for quarter ending June 30</li> </ul>   |
| November 2, 2009                                   | <ul style="list-style-type: none"> <li>• File DE 3BHW for quarter ending September 30</li> </ul>   | <ul style="list-style-type: none"> <li>• File DE 88 with payment for quarter ending September 30</li> <li>• File DE 6 for quarter ending September 30</li> </ul>   |
| February 1, 2010                                   | <ul style="list-style-type: none"> <li>• Furnish Forms W-2 to employees for 2009. (See page 61 for additional information.)</li> </ul>   | <ul style="list-style-type: none"> <li>• Furnish Forms W-2 to employees for 2009. (See page 61 for additional information.)</li> </ul>   |
| February 1, 2010                                   | <ul style="list-style-type: none"> <li>• File DE 3BHW for quarter ending December 31, 2009</li> <li>• File DE 3HW with payment for 2009</li> </ul>   | <ul style="list-style-type: none"> <li>• File DE 88 with payment for quarter ending December 31, 2009</li> <li>• File DE 6 for quarter ending December 31, 2009</li> <li>• File DE 7 for 2009</li> </ul>   |