



Do you remember watching the Brady Bunch as a kid or on Nickelodeon reruns? If that situation existed today, Alice, the Brady's housekeeper, under IRS law, would be what's called a household employee. That means, that for tax purposes, Alice was Mr. Brady's employee. We call this the Nanny Tax!

This is because the Brady's could control what work Alice did and also how she did it. This would be the case whether Alice worked full time or part time.

What would this mean for Mr. Brady? First, Mr. Brady would have to get an **EIN**. Second, if he paid her more than \$1,700 for the entire year (and let's hope he did!), he would need to give her a **W2**. And, if Alice requested it, he'd have to **withhold income taxes!**

Mr. Brady would have to pay FUTA tax on wages paid to Alice if he paid her more than **\$1,000** in any **quarter** and FICA taxes on all wages paid to Alice if he paid her more than **\$1,700** for the **year**. What is more, he would have to pay state unemployment taxes on wages paid to Alice. Mr. Brady could withhold from Alice's pay her portion of FICA tax or, being the nice man he was, elect to pay all of it for her. He could never withhold the entire amount of FICA tax from Alice's pay, or any of the FUTA or SUTA tax from her pay. Wow! We thought the Brady's were complicated enough without all of this!

All of this would be calculated by his ever conscientious and clever CPA on Schedule H when his taxes were prepared. 😊


What about **YOU**?

Hold on to your hat, this is going to be a rough ride! Household employees include babysitters, nannies, maids, health care providers, and other domestic workers. Remember the guidelines 1) Do you control their work, when and how they do it? 2) How much and how often do you pay them?

How can you avoid this? Certain household workers are exempt from the Nanny Tax. These include your spouse, your children who are under 21, any person under 18 years of age (thank goodness, your neighbor's daughter can still babysit without this!), also under most circumstances your parents. So, have any of these persons do your babysitting, housekeeping, home health care, etc. pay them anything you like and no worries!

Or, if you pay **less than \$1,000** in any given **quarter** to a **all workers combined** you can eliminate FUTA tax. If you pay **less than \$1,700 a year** to any **single individual**, you're home free from FICA tax. Other than that, FICA, FUTA and SUTA tax must be paid on wages to household employees.

So, pay special attention to the question on your organizer: "Did you engage the services of a household employees?"

Now everybody sing! (to the tune of The Brady Bunch) 

**The Nanny Tax, the Nanny Tax,
That's the way - we all pay the Nanny Tax!**