



If you hire someone to work in your home, such as a cleaning person, a cook, a gardener or a baby sitter, both you and your employee should know about paying Social Security and Medicare taxes.

Your household employee may be eligible for Social Security and Medicare some day—if you deduct Social Security and Medicare taxes from his or her wages, pay the taxes to the Internal Revenue Service (IRS) and report the wages to the Social Security Administration.

When you report those wages and pay the taxes, your employee gets credit toward Social Security benefits and Medicare coverage. This includes retirement (as early as age 62) and disability benefits for the worker and his or her dependents. It also includes survivors benefits for his or her dependents when the worker dies.

What wages must be reported?

If you pay a household worker \$1,600 or more in cash wages during 2008, you must deduct Social Security and Medicare taxes and report the wages once a year. This includes reporting any cash you pay to cover the cost of the employee's transportation, meals or housing. If you do not report the wages on time, you may have to pay a penalty in addition to the overdue taxes.

Are all household workers covered?

When you pay a household worker \$1,600 or more in cash wages during the year, the wages are covered by Social Security. However, special rules apply in the following situations.

If you run a hotel, rooming house or boarding house, all wages you pay employees must be reported, even if they are less than \$1,600 for the year.

You do not have to pay Social Security taxes for household workers (such as baby sitters) who are younger than age 18, unless household employment is the worker's primary occupation.

If you hire your children who are 21 or older to perform household work for you, you have to pay Social Security tax on their wages. Household work performed by your parent may require taxes be paid in certain situations.

Contact any Social Security office for more information.

How to report wages

Contact IRS about reporting requirements or forms. Employees there will tell you how to complete forms and when and where to file them.

You can also see IRS Publication 926, *Household Employer's Tax Guide*, www.irs.gov/publications/p926/index.html for information about what forms you need to file and when. But here are a few things you may want to know.

Keeping records—For Social Security purposes, you need the names, addresses and Social Security numbers of all household workers and the amount of wages you paid them. Copy the Social Security number directly from each person's Social Security card. If one of your employees does not have a card, he or she should apply for one at any Social Security office.

Deductions for Social Security and Medicare taxes—The 2008 Social Security tax rate, for both employees and employers, is 6.2 percent on wages up to \$102,000. The Medicare tax rate is 1.45 percent of all wages.

Filing your report—Use your own federal income tax return (IRS form 1040) to report wages of \$1,600 or more that you paid a household worker. As the employer, you

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