

What is the difference?

An employee...

- works for you, on your schedule
- takes instructions from you
- uses tools & equipment supplied by you
- is expected to defer to your judgment and guidance

An independent contractor...

- works for themselves, on their schedule
- may have many customers
- makes their own decisions on how to accomplish a job
- uses their own tools & equipment
- is expected to use their own experience and judgment in performing the job



Will I receive any tax breaks or benefits? - YES!

Dependent Care Account— Check if your employer allows you to contribute up to \$5,000 Pre-Tax dollars into a Dependent Care Account, which can be used to pay your child care or elder care costs.

Child & Dependent Care Tax Credit

If your employer doesn't offer a Dependent Care Account option, you can still claim a tax credit for child care on your federal income tax return (Form 2441). This typically amounts to 20-30% of qualifying child care expenses. Expenses up to \$3,000 for one dependent or up to \$6,000 for two or more dependents are eligible.

Also: You can typically deduct tax preparation fees for the year in which you paid them. For example, on your 2009 return, you can deduct fees paid in 2008 for preparing your 2009 return. These fees can include any fee you may have paid a third party for preparing and filing your return.

Note: These tax breaks only apply if the household employer is employing their employee LEGALLY with all state and federal taxes withheld and paid. Only one of the above savings can be used each tax year.



(800) 432-7972

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What Are My Tax Responsibilities When Employing Household Help?



Taxes required to withhold, file and pay:

- Social Security
- Medicare

Other taxes, not required to withhold. GTM strongly recommends withholding:

- Federal Income Tax
- State Income Tax
- Local Taxes - such as New York City Local Tax

In New York, there are four different taxes for which you will be responsible. These taxes will be added on top of the employee's gross wage:

- Social Security Tax Rate of 6.2%
- Medicare Tax Rate of 1.45%
- Federal Unemployment Tax Rate of 0.8%
- State Unemployment Tax Rate of 4.1%

Assume you intend on paying an employee a gross salary of \$750 per week.

Employee Gross to Net Calculation	Per Pay Period
Weekly - 52 pay periods per year	Gross Pay \$750.00
Federal Income Tax	(\$80.31)
Social Security	(\$46.50)
Medicare	(\$10.88)
State Income Tax	(\$31.92)
Local Income Tax	(\$19.40)
Employee Take-home Pay	\$560.99
Employer Taxes	Per Pay Period
Federal Unemployment*	\$6.00
Social Security	\$46.50
Medicare	\$10.88
State Unemployment**	\$30.75
Employer Responsibility	\$94.13
Total Employer Responsibility	\$844.13

*On first \$7,000 of gross wages/calendar year

**On first \$8,500 of gross wages/calendar year

Look for the calculator button (at the top of every page on www.GTM.com) to use GTM's Nanny Tax & Overtime Calculators and do your own online calculation.

Note: Initially you will be responsible for a total of 12.55% on top of the gross salary. Once you reach your thresholds your tax rate will drop down to just 7.65%.

Keep in mind: Your tax burdened will be lessened if you utilize an employer-sponsored DCAP program or take advantage of the Child & Dependent Care Tax Credit.

What about Workers' Compensation?

In New York, if a household employee works 40 or more hours per week, you are required by law to obtain, and keep in effect, workers' compensation coverage on that individual. Workers' Compensation will take care of necessary medical bills and a portion of your employee's wages should they become injured as a result of their specific duties. Also, in New York if a household employee works 40 or more hours per week, you are required to carry a Disability Insurance policy. You can obtain these policies through GTM Employment Benefits. Talk with the experts at GTM (a licensed broker) about the options available for Disability Insurance and Workers' Compensation coverage. Call (888) 432-7972 ext. 7213 for a no-obligation quote.

Expert Advice

Through our partnership with GTM Payroll Services, we have arranged for you to receive a **FREE tax & payroll consultation**. Jonita Rodriguez, FPC will walk you through your responsibilities step-by-step. Call Jonita directly (888) 432-7972 ext. 7224, and mention that you were referred by Nannys USA.

Know someone in need of payroll assistance for their household employee?

Refer your friends to GTM and you will receive a **FREE Month of Service** when they sign-up!