

Domestic Employee Payroll: When Running a House is the Same as Running a Business

November 20, 2017



For many, outside staff will inevitably be required to keep their households running smoothly. Some may rely on cleaning or landscaping services in which they contract out to an agency for periodic help. Others will need a more consistent solution in which they hire employees to assist with child care, upkeep and other functions in running a household.

When becoming a domestic employer, there are a number of factors to consider in order to be in compliance with labor and tax laws. Once the transition is made from hiring temporary help through agencies to having full or part-time staff, the house

should — in some ways — be thought of as a business.

Employees such as nannies, caregivers, drivers, chefs or housekeepers will need to be paid “on the books” with appropriate payroll taxes deducted. The employers need to be registered with the appropriate state and local tax authorities, and certain IRS payroll forms need to be completed before the implementation of the payroll process. Depending on the state or local jurisdiction in which the employee works, there may be overtime or sick pay, workers compensation and disability insurance requirements to address. Additional steps may be necessary when hiring international workers to ensure that they have the proper visas to work in the United States.

In addition to remaining compliant when hiring workers, checking their qualifications should also be approached with caution. Laws governing the information a potential employer can seek vary by jurisdiction and proceeding with background checks and other hiring considerations should be done in coordination with an attorney. Issues surrounding domestic employees are not limited to job performance. These individuals may also have access to the house, and in some cases, cars and other assets as well as personal information, so ensuring that an applicant is trustworthy is a top priority.

An alternative to hiring employees is engaging a reputable agency, which, depending on their services, may offer bonding and insurance and can also handle the background checks. When working with an agency, while some responsibility is diffused and certain risks are mitigated, it is important to gain a clear understanding of what legal and insurance protections the agency does and does not offer.

Depending on the route that a family takes, there may be other factors to consider. For more information, contact your Anchin Relationship Partner or Laurie Fasinski, a principal in Anchin Private Client, at [212.840.3456](tel:212.840.3456) or info@anchin.com.