

Someone is the Employer *--Is It You?*



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- Classification – what, when, how, and why it matters
- Staffing Agencies and different models/approaches
 - 1099 vs. W2 – who gives what form and when?
 - Direct W2 employment with agency
 - Household direct payment to caregiver/match-making by agency (back up care examples)
 - Blended models - what might work best for agencies
- Helpful suggestions for guiding families and how HWS can assist
- Conclusion & Questions

This presentation is not intended as specific tax, legal or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for tax, legal or accounting advice. You should engage and consult your own tax, legal and accounting advisors to discuss your specific circumstances.

1099/independent contractor vs W2 employee Exempt vs. Non-Exempt

- What is it: Classification
 - Allows for proper flow of taxes and documentation for tax season to be used correctly
- When to pay attention to this:
 - When money changes hands
 - Who is controlling the work?
 - Who is making the payments?


Agency or Family?



[IRS Publication 926](#)

Household Employer Tax Guide

Employee or Independent Contractor?

<i>Indicators of an Employee</i>	 <i>Indicators of an Independent Contractor</i>
Working for someone else	In business for themselves
Earns money by working additional hours	Increases profit through business decisions
Generally works for one employer part-time or full-time	Often works with multiple clients
Continued or indefinite relationship with employer	Temporary relationship until project is completed
Employer decides how and when the work will be performed	Decides how and when they will perform the work
Employer assigns work to be done	Decides what work or projects they will take on
Uses the tools and supplies of their employer	May bring their own tools or supplies



EXEMPT

*Executive exemption -
Manages a team or
department*

*Administrative exemption -
performs non-manual/office
work and has decision
making authority*

*Professional exemption -
has advanced knowledge in
a field of science/learning,
often requiring an advanced
degree*

HSW



NON-EXEMPT

*Works independently or
is managed by others*

*Performs manual work
and is not able to make
unilateral decisions*

*No advanced degree or
other high level
certification required of
position*

VS

FAIR
&
LEGAL

RIGHT
TO
OVER-
TIME!

Overtime-Can vary by state!

DC – Live in, OT not required

VA – Live in, OT not required

MD – Live in, OT **REQUIRED!**



FLSA OT for over-nights

- Sleep time deductions: up to 8 hours (minimum of 5) if uninterrupted but nanny must have worked a 24 hour period or all hours count! (CA-this doesn't apply)

What qualifies you as a live-in worker?

→ Fact Sheet #79B: Live-in Domestic Workers

Under the Fair Labor Standards Act (FLSA) → → →



Numbers to Pay Attention to:

- **Year 2026: \$3,000 is the big FICA Threshold**
- **Most families pay close attention to this big threshold**

Most states, \$1,000/calendar quarter unemployment threshold

Unique domestic work arrangement:

Is the NCS an employee or independent contractor?

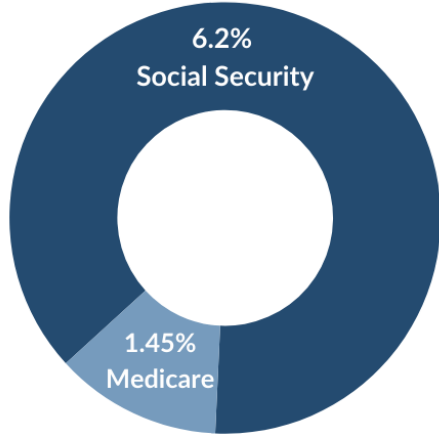
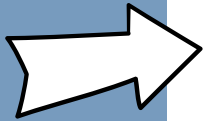


Newborn Care Specialists & Temporary Nannies



Payroll Taxes

Paid by Employer

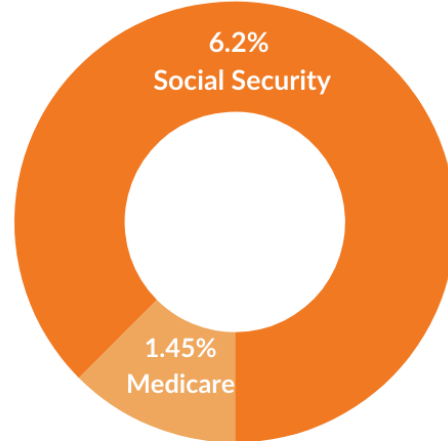


7.65% Total
of gross wages

Employer Also Pays

- Federal Unemployment
- State Unemployment
- Local Taxes Where Applicable

Paid by Employee



7.65% Total
of gross wages

Employee Also Pays

- Federal Income Tax
- State Income Tax
- Local Taxes Where Applicable



The Employer Taxes

The Employee Taxes

Verifiable Income for Credit & Loans

Verifiable income means you can prove that you have a record of consistent income sufficient to meet your proposed financial obligations, such as a loan

Easily Qualify for Workers Comp or Unemployment Benefits

While it is true that you can apply for and receive unemployment benefits even if you were paid cash only, your benefits will be delayed and you will eventually be faced with penalties for failure to file and pay your own income taxes

Social Security & Medicare Benefits

Eventually you will retire and need retirement income. If you did not pay into the system you will not qualify for future benefits

Staffing Agencies: Options for Organizing Care Options in Tax Compliant Ways

1099 vs. W-2

Caregiver Paid by Agency
Caregiver Paid by Family
Blended models

- Back up caregiver roles vs direct hires

Caregiver Paid By Agency

Remember classification: who controls the work?

- If paid directly by agency, who is responsible for the taxes? How would you classify the caregiver? W2 vs. 1099 question.
- Are there higher risks for certain classification?
 - <https://www.dol.gov/newsroom/releases/whd/whd20231023-1>
- Agency should provide a tax form if money is given by agency to caregiver

News Release

COURT ORDERS PITTSBURGH HOME CARE AGENCY, OWNER TO PAY \$208K IN BACK WAGES, DAMAGES AFTER MISCLASSIFYING WORKERS, DENYING PAY

Reliable Home Health Limited misclassified workers as independent contractors

PITTSBURGH – A federal court is requiring a Pittsburgh staffing agency and its owner to pay \$208,044 in back wages and liquidated damages to 96 home health workers misclassified as independent contractors by the employer who, in turn, failed to pay them their full wages.

Caregiver Paid By Family

Remember classification: who controls the work?

- W2 vs. 1099 question.
- Family should provide a tax form if money is given by family to caregiver



- **\$600 in wages paid - time to consider classification**
- **\$1,000/quarter = unemployment tax thresholds**
- **\$3,000/year FICA thresholds**

[Backup Care and Tax Form Requirements](#)

Blended approach: connecting the dots

Placements and Back-up Care

- Is there a world where you can do both? Can you transition?
- HWS partners with agencies for free to be a resource to you and your clients

“What happens when a temp caregiver ends up getting hired long term but starts off the relationship assuming it was short term and would not have reached the threshold, so they have been paid via cash app?”

Past hours, if FICA was not withheld, the employer has to cover BOTH sides (employee's and employer's portion).

- They do NOT have to cover past income taxes

What to say when client asks what taxes they are paying for

“What are these taxes?”

- Employer taxes help cover unemployment taxes that are required (Fed/State) and ½ of the nanny’s Social Security and Medicare Taxes

“How much is it?”

- Approximately 10% of gross pay, but goes down to closer to 7.65% once unemployment thresholds are met. Essentially, for every \$1,000 you will pay this nanny, budget closer to \$1,100 out of pocket.

“Are there tax breaks?”

- Yes, while it is best to review with your tax preparer, there are some ways to lower the tax burden. Let me send you some articles you can share with your tax professional.

This can vary by family. We consult with the family and often offer a wage budget depending on what they need, with estimated costs.

- *Example:*

**Gross pay + 10 % covers wages plus employer taxes*

**Workers' compensation can be between \$500-\$1,000/year, but sometimes less if you can bundle it with your homeowner's insurance.*

**Payroll and Tax Compliance fees—approximately \$1,200/year for weekly payroll, but there is no annual commitment. For temp workers and arrangements, you simply pay for the quarter you need tax filings in, and then we can close out your account and issue yearend documents to you.*



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HSW HOMEWORK SOLUTIONS

Do you or the family you work for need a free consultation on nanny taxes and fair and legal pay? Save this contact information and share it with your nanny family.



Franny Wood, HomeWork Solutions
Household Employment Consultant/

QUESTIONS?

Call Franny Wood at (571)306-1957 for a free telephone consultation

Visit www.HomeWorkSolutions.com/