



Household Employment FAQs

Being a household employer can be complex. These are general answers to some of the most common questions we receive. For more detail regarding a specific situation, please feel free to call us and one of our experts will be happy to answer questions and provide a complimentary assessment.

How much can I save if I pay a caregiver directly instead of through an agency?

The savings from private employment will vary, but in high-hour cases where caregiver continuity is needed (e.g. Alzheimers and dementia), families can reduce their care costs by as much as 50%. The potential savings have increased in recent years due to legislative changes. As of 2015, the US Department of Labor (DOL) requires third-party agencies to pay caregivers at least minimum wage and overtime for all hours over 40 in a 7-day workweek. These new requirements, coupled with additional requirements on the state level, have increased the cost of traditional agency-provided care.

Can I issue a 1099 form for my caregiver?

No. In most cases, the IRS classifies caregivers as employees, not independent contractors. An employer is required to issue a W2, not a 1099. If a family pays a caregiver directly, opposed to paying an agency for care, the family is considered a household employer. Misclassifying household employees as independent contractors is considered tax evasion to the IRS, and can create significant penalties and problems for families.

Are there any tax breaks?

Yes. Care expenses can be offset by: 1) a Flexible Spending Account, 2) a Dependent Care Tax Credit, and 3) an itemized tax deduction for medical expenses.

Am I required to provide benefits like health insurance and paid time off?

Household employers are not required to provide health insurance. Federal law does not require employers to offer paid time off, but some cities and states have passed legislation requiring paid time off that does apply to households.

Do I need to carry workers' compensation?

Many states require household employers to have a workers' compensation policy, which protects the employer and provides financial assistance to the caregiver in the event of a work-related injury or illness. Even when not required, we recommend it. In many cases, workers' compensation insurance can be secured through the existing homeowner's or renter's insurance provider. Alternatively, we can assist the family with obtaining a stand-alone policy in most states.

Do I need to pay minimum wage? Overtime? Sleep time?

Federal Wage and Hour law requires that caregivers receive minimum wage and overtime pay of at least 1.5 times their regular rate of pay for hours worked over 40 in a 7-day workweek. However, two exemptions to this law exist in cases where a caregiver is employed directly by the care recipient (or his/her family). First, caregivers who qualify as 'companions' are exempt from both minimum wage and overtime requirements in direct employment situations. Second, even in cases where the caregiver does not qualify as a 'companion', federal law provides an exemption to overtime compensation for live-in caregivers, or those who reside at the employer's home for at least 120 hours per week. Additionally, when a caregiver works a 24-hour shift, federal law allows families to exclude up to 8 hours of sleep time from hours worked as long as the employee agrees in writing and adequate sleeping facilities are provided. Please note that a few states have stricter Wage and Hour standards.

Here's how HomePay can help.

What is the process for handling household payroll and taxes and can my accountant take care of it?

The payroll and tax compliance process is complex and details vary by state. Here's a general overview of what's involved:

- Register for federal and state tax accounts
- Complete and file New Hire Report
- Calculate taxes to be withheld each pay period (most states require a paystub)
- Track gross pay, net pay and taxes withheld
- Calculate the employer's federal and state tax liabilities
- Prepare and file state and federal employment tax returns (along with payment of employee and employer taxes)
- Respond to IRS and state notices and alerts
- Monitor ever-changing household employment tax and labor law.

Household employment obligations span several disciplines (payroll, tax preparation, labor law and insurance), so most accountants and advisors delegate the details to a specialist, who can oversee everything and guarantee accuracy.

What sets Care.com apart from other options?

Care.com HomePay has been the leader in the specialized world of household payroll, tax and labor law compliance since 1992. Unlike other payroll and tax service firms who handle some of a family's obligations, Care.com HomePay handles everything with guaranteed accuracy and timeliness.

What do clients say about HomePay?

"You guys really are amazing. Every time I call, you all are just a wealth of knowledge... I know people may say they don't want to pay for your service, but I keep telling them that they can't afford to mess up on their taxes."

—Wendi Hausfeld-Carragher, MD

"When I contracted with HomePay...I had no idea how valuable the service would become. The payroll system is simple to set up and to maintain. The reports are easy to access and reference. HomePay takes care of withholding and paying the taxes and submitting all the forms and paperwork."

—Kristine Peterson, IL

PUT CARE.COM HOMEPAY TO WORK FOR YOUR CLIENTS.

Call for a free, personalized consultation at 888.273.3356
or learn more at homepaypartners.com.