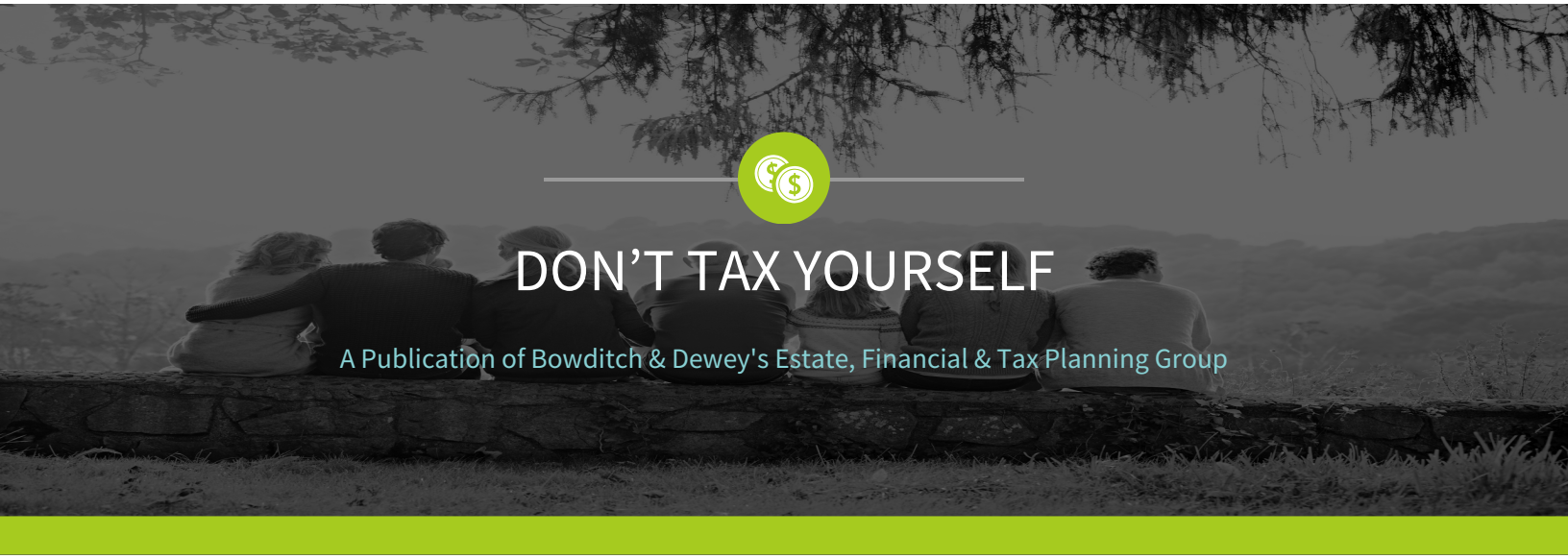

DON'T TAX YOURSELF

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Home Care & Taxes

BY KRISTIN WILDMAN SHIRAHAMA • MAY 25, 2016

The care aides provide allows elders to stay at home beyond a period when they might normally be able to live independently. In many cases home care may be provided more cost efficiently, or simply accommodate an elder's preference to stay at home rather than move into a facility.

Care may be coordinated through a home care agency, or managed directly by the elder as the employer. For those who wish to employ their own caregivers, they must be aware of their responsibility as an employer to pay certain taxes. These taxes, sometimes referred to as the "nanny tax" applies to any household workers, including child care providers, gardeners, cleaners, personal chefs and others employed in a home.

In 2016 employers must pay Social Security (6.2%) and Medicare (1.45%) taxes for household workers who receive more than $2,000/year in compensation. The employee's share of Social Security and Medicare taxes matches the employer's and can be deducted from wages, or paid by the employer.

In addition, federal unemployment taxes (FUTA) and Massachusetts Department of Unemployment Assistance taxes (DUA) must be paid for workers who earn more than $1,000 each quarter. FUTA is 0.6% after eligible credits. For information on DUA visit http://www.mass.gov/dua.

Worker's compensation insurance is required if employment exceeds 16 hours a week. This insurance can be obtained through a broker, or for those who are denied coverage through the Massachusetts Assigned Risk Pool. For more information, see http://www.mass.gov/dia.

In addition to payroll tax obligations, employers in Massachusetts need to be aware of the Domestic Workers Bill of Rights that took effect on April 1, 2015. Under this law, employers are required to give their household workers written notice concerning their rights under the law. Worker's rights include unpaid 30 minute break no later than after 6 hours of consecutive work as well as a day off after working 40 or more hours in a week. Workers are also entitled to job-protected maternity leave.

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Payroll companies can help employers manage their tax obligations. Many elders, however, prefer the provision of care through a home care agency because the agency as employer assumes these tax obligations, instead of the elder.

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