

Thanks for the opportunity to provide feedback on the pending tax reform. I believe that one of the reasons people do not pay SS tax for household employees is that it is a hassle, with too much paperwork, in addition to a high marginal rate when one hits the cutoff. In the past, I stopped employing people just before they hit the cutoff rather than do the paperwork. If it was simpler, I would have paid both their and my share.

For those taxpayers paying their employee's share of SS and Medicare, my recommendation is to simply add a schedule to the 1040 with all the necessary info, and incorporate into it the W2 info and current Schedule H. Payers can give a copy of that form to their household employees, and one can some of the other steps outlined below in the current regs. In addition, since it is simpler, the tax can be collected starting at an amount lower than \$1900, which avoids a large marginal tax hit. (if you pay someone say, \$2200 year, the SS tax goes from 0 to \$336 with the extra wages of \$300.)

Thanks.

**Table 1. Do You Need To Pay Employment Taxes?**

IF you ...	THEN you need to ...
<p>A- Pay cash wages of \$1,900 or more in 2014 to any one household employee. Do not count wages you pay to—</p> <ul style="list-style-type: none"> <li>• Your spouse,</li> <li>• Your child under the age of 21,</li> <li>• Your parent (see <i>Wages not counted</i>, later, for an exception), or</li> <li>• Any employee under the age of 18 at any time in 2014 (see <i>Wages not counted</i>, later, for an exception).</li> </ul>	<p>Withhold and pay social security and Medicare taxes.</p> <ul style="list-style-type: none"> <li>• The taxes are 15.3%<sup>1</sup> of cash wages.</li> <li>• Your employee's share is 7.65%<sup>1</sup>. (You can choose to pay it yourself and not withhold it.)</li> <li>• Your share is 7.65%.</li> </ul>
<p>B- Pay total cash wages of \$1,000 or more in any calendar quarter of 2013 or 2014 to household employees. Do not count wages you pay to—</p> <ul style="list-style-type: none"> <li>• Your spouse,</li> <li>• Your child under the age of 21, or</li> <li>• Your parent.</li> </ul>	<p>Pay federal unemployment tax.</p> <ul style="list-style-type: none"> <li>• The tax is 6% of cash wages.</li> <li>• Wages over \$7,000 a year per employee are not taxed.</li> <li>• You also may owe state unemployment tax.</li> </ul>

<sup>1</sup>In addition to withholding Medicare tax at 1.45%, you must withhold a 0.9% Additional Medicare Tax from wages you pay to an employee in excess of \$200,000 in a calendar year. You are required to begin withholding Additional Medicare Tax in the pay period in which you pay wages in excess of \$200,000 to an employee and continue to withhold it each pay period until the end of the calendar year. Additional Medicare Tax is only imposed on the employee. There is no employer share of Additional Medicare Tax. All wages that are subject to Medicare tax are subject to Additional Medicare Tax withholding if paid in excess of the \$200,000 withholding threshold.

**Note.** If neither A nor B above applies, you do not need to pay any federal employment taxes. But you may still need to pay state employment taxes.

**Table 2. Household Employer's Checklist**

You may need to do the following things when you have a household employee.

<b>When you hire a household employee:</b>	<input type="checkbox"/> Find out if the person can legally work in the United States. <input type="checkbox"/> Find out if you need to pay state taxes.
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<b>When you pay your household employee:</b>	<input type="checkbox"/> Withhold social security and Medicare taxes. <input type="checkbox"/> Withhold federal income tax. <input type="checkbox"/> Decide how you will make tax payments. <input type="checkbox"/> Keep records.
<b>By February 2, 2015:</b>	<input type="checkbox"/> Get an employer identification number (EIN). <input type="checkbox"/> Give your employee Copies B, C, and 2 of Form W-2, Wage and Tax Statement.
<b>By March 2, 2015 (March 31, 2015, if you file Form W-2 electronically):</b>	<input type="checkbox"/> Send Copy A of Form W-2 to the Social Security Administration (SSA).
<b>By April 15, 2015:</b>	<input type="checkbox"/> File Schedule H (Form 1040), Household Employment Taxes, with your 2014 federal income tax return (Form 1040, 1040NR, 1040-SS, or Form 1041). If you do not have to file a return, file Schedule H by itself.

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