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When a family decides to hire someone to work in their home, they're frequently doing so for the first time. Whether they've just had their first child and need a nanny or they're hiring someone to take care of an elderly or disabled loved one, the vast majority of Americans have a very limited understanding of their responsibilities as a household employer. If you're advising a client who's hiring a

domestic worker in the coming months, here are a few of the latest topics in the

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providing a Form 1099 (instead of a Form W-2), but more than ever this practice is being monitored. Nineteen states were awarded grants by the Department of Labor last year to increase enforcement efforts and the household employment industry has been cited as a prime target.

Minimum Wage

As you've probably seen in the news, there's a growing movement nationwide to increase minimum wage at the federal level. While this hasn't resulted in a change to the current \$7.25 per hour rate, several states and municipalities have approved hourly rates higher than the federal mandate. In fact, nearly half the states in the country increased their minimum wage in 2015, so it's important for your clients to know the current rate in their area to keep from underpaying their employee.

Overtime

Domestic workers are considered "non-exempt" and, therefore, are protected under the Fair Labor Standards Act (FLSA). Additionally, a growing number of states have passed Domestic Worker Bill of Rights laws – heightening awareness among workers of their right to time-and-a-half for all hours over 40 in a 7-day work week. Some states also have special overtime provisions for live-in workers or more than 8 hours in a day.

Health Insurance

The Affordable Care Act is still a hot topic in the tax community – even though most of the provisions have been with us for more than a year. Families often get confused because they know many businesses have to provide health insurance for their employees. However, household employers are exempt from this mandate because they are under the 50-employee threshold.

That doesn't mean the employee can go without health insurance though. There's

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that would be the paper work necessary for the subsidy.

Mileage Reimbursement

Most states don't **require** families to reimburse their household employee for miles driven while on the job. But it's a nice non-taxable benefit to provide if the employee has to run errands, take the kids on outings or shuttle grandma to doctor's appointments in her car. The IRS increased the mileage reimbursement rate to 57.5 cents per mile this year. It covers the cost of gas plus general wear and tear on the employee's vehicle. Remember, this reimbursement rate covers only miles driven while on the job; any payment for miles driven while commuting to and from the worksite would be considered taxable wages.

It may seem odd speaking to clients about tax-related matters during middle of the year, but household employment is a different animal compared to handling personal income taxes. It's very important to make sure the employee's payroll and your clients' expectations for federal and state employment taxes are established during the hiring process. Mistakes in this area of the tax code are not easily remedied in January – and cause significant headaches to fix for the family and for you.

If you find yourself looking for additional resources, there is a [state-by-state breakdown](#) of all household employment payroll and tax rules on our website. And if you're having difficulties addressing this subject with your clients, we're happy to send our household employment packet – a simple set of forms and helpful guidance that makes timely compliance easy for your clients.

Tom Breedlove is the Director of [Care.com HomePay](#).

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