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Approximately 1.8 million families are **breaking the law** by not paying their nanny taxes every year. A 2009 estimate maintained that **80% to 90% of all households** that employ nannies, housekeepers, and home health aides are cheating on their taxes.

While some household employers may not understand the IRS rules, others are intentionally skirting the law. Even if you're not worried about the legal

consequences of not paying your nanny taxes, there are other reasons why paying

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When you fail to pay nanny taxes, you're depriving your nanny of safety net government benefits such as Social Security and unemployment insurance. Your nanny is taking care of your children — take care of those who care for you and avoid withholding these benefits from your nanny.

2. Tax Credits

Paying payroll and associated taxes for a household worker [can be used to qualify for a tax break](#). Families can receive tax benefits through employer-provided dependent care assistance (Dependent Care Account) and the Tax Credit for Child or Dependent Care. The tax breaks available often offset the cost of complying with the tax laws.

- **Dependent Care Account:** Most companies allow employees to take advantage of a Dependent Care Account. Employees with childcare expenses can contribute up to \$5,000 of their pretax earnings to a Dependent Care Account, which are used to cover childcare costs tax-free.
- **Tax Credit:** Families unable to take advantage of a Dependent Care Account can claim the Tax Credit for Child or Dependent Care on their tax return, using Form 2441. This provides a tax credit of 20% to 30% of childcare expenses, up to \$3,000 for one dependent or up to \$6,000 for two or more dependents.

3. Federal Payroll Taxes Have No Statute of Limitations

In addition to committing tax fraud on their personal tax return, if a family doesn't pay the proper federal employment taxes for their nanny, it can impact them at any time in the future. Imagine the consequences of getting caught by the IRS after not

filing the correct taxes for a nanny or other homecare worker over a number of years.

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compensation insurance. Imagine a scenario where your nanny is injured in a car accident on her way to drop off your kids at school, or while performing other duties during her workday. You could be on the hook for thousands of dollars in medical expenses. Given the high costs of hospitalization, you'll wish you had paid your nanny tax.

5. Political Aspirations Scuttled

Most of us don't aspire to a high government post, such as a Cabinet position, a senior-level political appointment in a government agency, or an ambassadorial post. But if you are in line for one of these positions, or simply need a government security clearance for your job, and you haven't been paying the proper nanny tax, you'll watch from the shore as your government job sails off into the horizon without you. Just ask Zoe Baird. In 1993, Baird was nominated by President Bill Clinton for attorney general, but found her nomination was quickly withdrawn after it was disclosed she and her husband illegally employed two undocumented workers from Peru as nanny and chauffeur without paying taxes. Today, the scrutiny is even more intense, and the higher the office, the more closely a nominee's life is examined.

Compliance is the Best Course of Action

While there is a perception that there's a low risk of getting caught, [the government is now targeting those who employ household workers and fail to pay the appropriate taxes](#). With the legal and financial consequences of noncompliance so high, it's difficult to understand why so many people risk so much when it comes to filing their taxes. As always, if you're unsure about the financial or tax ramifications of hiring a household worker, contact a qualified professional who can provide expert guidance.

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College. She is the former President of the International Nanny Association, the leading professional association in the in-home childcare industry.

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