

Tom Copland – Taking Care Of Business

THE NATION'S LEADING EXPERT ON THE BUSINESS OF
FAMILY CHILD CARE

Quiz: Hiring Your Children for the Summer

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If you are thinking about paying your own child to help you with your family child care business this summer, take this quiz to avoid making mistakes. See below for the answers.

#1: If your child is under age 18 you must withhold and pay Social Security/Medicare taxes on the amount you pay them.

True or False

#2: Your child does not have to pay any federal income taxes if he/she earns less than \$6,300 in a year and is under age 18.

True or False

#3: You do not have to pay any federal unemployment taxes if your child is under age 21.

True or False

#4: Federal law prohibits you from hiring your own child to do work for your business if he/she is under age 14.

True or False

Answers

#1: False. You need only withhold Social Security/Medicare taxes if you pay your own child, who is age 18 or older, and your spouse.

#2: True. \$6,300 is the rate for 2016.

#3: True.

#4: False. There is no federal child labor law that prohibits you from hiring your own children under age 14. However, your state labor laws may prohibit this, so check with your state department of labor.

Hiring your own children under age 18 to help you with your business makes good financial sense. You can expect to save \$30-\$40 in taxes for every \$100 you pay your child. If you do so, you need to follow certain rules to ensure the IRS does not treat these payments as a non-deductible allowance.

See all the details in my article, "How to Hire Your Own Children Under Age 18."

See also my article, "Should You Hire Your Child Who is Age 18+ or Your Husband?" Both are at www.tomcopelandblog.com.

Note: These answers assume you are operating as a sole proprietor (self-employed). If you are established as a corporation, you must withhold Social Security/Medicare taxes, pay federal unemployment taxes and your child must report the amounts as taxable income.