

Hiring Your Kids to Lower Company Taxes

IT'S STANDARD

The standard deduction for 2022 is \$12,950, which means the first \$12,950 your child earns is tax-free. So you can shift income from you to your child, who is likely in a lower tax bracket than you.

Go one step further and insist your child contribute the majority of earnings to a college fund.

EMPLOYMENT TAX WIN

Children under age 18 are exempt from federal unemployment tax (FUTA) and FICA tax. Once they turn 18, you'll be responsible for paying the employer portion of FICA, but the children remain exempt from FUTA until they turn 21. That means if you pay your 17 year old \$12,950 a year to run your social media marketing, you'll save over \$1,400 a year in employment taxes.

CAVEATS TO KEEP IN MIND

Your child must be an actual employee doing necessary work for your business, and must be paid a reasonable salary. Also, you'll need to onboard your child as you would any other employee. That means having them complete Form W-4 and I-9, sending them a Form W-2 at year-end, and having them fill in timesheets if they're being paid hourly.



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