

MAY 2021 CLIENT PROFILE

The Roberts family hired a live-in au pair to help care for their children while the parents work. One of their co-workers mentioned something about a “Nanny Tax,” and the Roberts aren’t sure if it applies to their situation.

In the IRS’s eyes, au pairs and nannies fall into the category of household employees. With a few exceptions, if your au pair is considered an employee because you control when and how they work, you’ll need to withhold and pay Social Security and Medicare taxes if they earn at least \$2,300 in 2021. You may also need to pay federal unemployment tax if they earn more than \$1,000 in a calendar quarter. This is on top of any state employment taxes you may be required to withhold or pay.

And while you’re not required to withhold federal income tax, your employee may ask you to. You would need to get a Form W-4 from them. If you withhold any taxes from your employees, you’ll need to provide a W-2 each January. Incorrectly classifying your au pair as an independent contractor to avoid paying payroll taxes can have harsh consequences.

**Client Profile is based on a hypothetical situation. The solutions we discuss may or may not be appropriate for you.*



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