



## 10 Tips

# Set Up the Nanny Payroll

Establishing your nanny's payroll arrangement is an orderly process. When you establish the proper foundation the compensation arrangement will be simple and stress free.

Take the time up front to work out your nanny's compensation details. Use a nanny tax calculator to make sure you understand the total payroll budget with taxes included. It's easy – headache averted and non-pleasant surprises!

### 1. Put the compensation details in writing

Your nanny is your employee, and it is important to document the financial agreement to protect BOTH of you. You should document a base weekly pay based on specified days/hours of employment and put the wage in HOURLY wage terms both for FLSA compliance and to protect your family from future claims for unpaid wages.

[Why is this SO IMPORTANT?](#)

### 2. State Payroll Frequency

Will the nanny be paid weekly, bi-weekly, or semi-monthly? What day is pay day? Be careful- as non-exempt employees, many states have established stringent [minimum payroll frequency regulations](#).

### 3. Detail payroll deductions (if any)

You are entitled to deduct the employee portions of Social Security and Medicare taxes from the nanny's payroll. You ARE obligated to make remittance (pay) BOTH the employee and the employer contributions to Social Security and Medicare whether you deduct it or not.

Deducting your employee's income taxes is optional. Most employers of full-time household staff offer to do this for the employee. See our Paycheck Calculator to compute the income taxes and understand your total out-of-pocket expenses.

### 4. Require that the nanny keep a timecard

The FLSA requires employers to maintain accurate and complete contemporaneous time tracking records for all hours worked by an employee. This does not have to be complicated. Many families require that the nanny keep a daily Nanny Log and simply use this to track time and expenses too. This is very important documentation as it provides the basis for compensation calculations and protects YOU, the employer, in a dispute. There are smart phone apps approved by the US Department of Labor that utilize GPS technology to facilitate nanny time tracking. These make it easy for the nanny to track his/her own work hours, creating an independent record in a Wage and Hour dispute!

## 5. Obtain completed Forms W-4 and I-9 from your employee

These forms are legally required and should be kept with your permanent employment records. The W-4 will provide you the nanny's particulars for tax filing, including legal name, address and Social Security Number. The I-9 documents that the employee is legally authorized to work in the United States and is required of ALL newly hired employees.

## 6. Obtain a Federal Employer Identification Number (FEIN/EIN)

Your FEIN is issued by the Internal Revenue Service. This number is required for all Federal tax reporting, and most state tax agencies require this number as part of your state registration process. HomeWork Solutions will apply for this on your behalf after you enroll

## 7. Establish state tax accounts as required

Research and apply for a state unemployment tax account, and state withholding tax account if you are deducting the nanny's state income taxes. Timely registration and filing with your state will avoid late filing penalties and will qualify you for the most favorable unemployment tax rate. HomeWork Solutions will apply for this on your behalf after you enroll

## 8. Comply with Federally mandated state new hire reporting

Federal legislation mandates that all states implement and manage New Hire Registration Programs to track individual employment data for purposes of expedited child support enforcement and fraud control of various welfare programs. New Hire Reporting is discussed in [more detail here](#).

## 9. Research Workers' Compensation Insurance Requirements

Many states require employers obtain workers' compensation insurance for their employees. More information can be found on our [Worker's Compensation guide](#). Penalties for not securing a policy promptly, if required, will cost you hundreds, if not thousands, of dollars. HomeWork Solutions can help you obtain workers' comp coverage through our partner.

## 10. Familiarize yourself with tax reporting schedules and requirements

While some tax reporting is done on annualized basis, most state reporting is done quarterly. Occasionally, some employers are required to make their state reporting and payments monthly. HomeWork Solutions offers different services that meet your needs to outsource much of the tax-related paperwork. This allows you to focus on your family, nanny relationship and your career with the confidence that trained professionals are supporting your payroll and tax obligations.

### HWS is here to help!

Our trained staff is available weekdays to provide free telephone consultations and to assist you with a variety of issues:

- Calculating gross vs. net wages.
- Budgeting your total out of pocket expense.
- Converting a weekly wage into hourly rate terms.
- Asking general questions related to wages, benefits, and labor law.