

# Household Employees

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## Background

Household employees include housekeepers, maids, baby-sitters, gardeners, and others who work in or around private residences as employees. Household workers are employees if the homeowner controls the work performed and the manner in which it is accomplished. Repairmen, plumbers, contractors, and other business people who work as independent contractors are not household employees.

Tax returns for household employees earning less than \$1,900 are prepared differently than returns for household employees making \$1,900 or more. If a household employee is paid more than \$1,900, that employee's employer is required to withhold Social Security and Medicare taxes. That employer must issue the employee a Form W-2.

For additional information see IRS Publication 926 *Household Employer's Tax Guide*.

## Foundation Communities Policy

Preparing tax returns for household employees earning more than \$1,900 requires Advanced tax preparer certification. Only VITA volunteers who have completed Advanced preparer training and certification may assist such clients. If no such certified preparer is available when a client requires assistance, see your site manager for available options.

## How To Assist Tax Clients

The steps outlined below are based on the assumption that the household employee's employer did not provide a W-2.

*For a Household Employee paid less than \$1,900 in wages:*

1. In TaxSlayer Pro, select Income (Begin)
2. Select Other Income (Begin)
3. Select Other Compensation (Begin)
4. Select Household Employee Income (Begin)
5. Enter amount paid (not to exceed \$1900)

The household employee taxpayer is not liable for Social Security or Medicare taxes on these wages. HSH will appear on the dotted line next to line 7 on the Form 1040.

*For a Household Employee paid **\$1,900 or more** in wages:*

1. In TaxSlayer Pro, select Income (Begin)
2. Select Wages and Salaries Form W-2 (Begin)
3. Check the box next to "This is a substitute W-2"
4. Indicate if the W-2 is for the Taxpayer or Spouse
5. In the Employer section, enter the EIN (if no EIN available, enter 74-0000000), and the employer's name and address
6. Enter \$1.00 in the Wages field (Box 1)
7. Enter the total wages in the Allocated Tips field (Box 8)
8. Click Continue
9. Complete the Substitute W-2 questions based on client interview (Example: How did you determine the amounts on the Substitute W-2? – Client provided amount, Explain your efforts to obtain Form W-2.\_None)
10. Click Continue to close this document

The printed set of tax documents is to include Forms 4852 and 4137. On the paper Form 4852, cross out the EIN if you used 74-0000000 and write in "Unavailable." On the paper Form 4137, cross out the EIN if you used 74-0000000 and write in "Unavailable." Also, cross out the word "Tips" and handwrite the word "Wages" on all applicable lines. (See sample annotated Forms 4852 and 4137 attached.)

Do not e-file this return. It is a **paper** return. Instruct the client on how to mail the return to IRS -- see *Paper Returns* in the CTC Volunteer Resources -- and provide the client with a mailing envelope.

Form **4852** (Rev. September 2014) **Substitute for Form W-2, Wage and Tax Statement, or Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.** OMB No. 1545-0074

Department of the Treasury Internal Revenue Service **► Information about Form 4852 is available at [www.irs.gov/form4852](http://www.irs.gov/form4852).**

1 Name(s) shown on return **TAXPAYER NAME** 2 Your social security number **XXX-XX-XXXX**

3 Address **100 SOMEWHERE LANE, ANYWHERE, TX**

4 Enter year in space provided and check one box. For the tax year ending December 31, **2016**, I have been unable to obtain (or have received an incorrect)  Form W-2 OR  Form 1099-R. I have notified the IRS of this fact. The amounts shown on line 7 or line 8 are my best estimates for all wages or payments made to me and tax withheld by my employer or payer named on line 5.

5 Employer's or payer's name, address, and ZIP code **ABCPERSON** 6 Employer's or payer's identification number (if known) **74-0000000 Unavailable**

7 Form W-2. Enter wages, tips, other compensation, and taxes withheld.

a Wages, tips, and other compensation	<b>3250</b>	f State income tax withheld	
b Social security wages	<b>3250</b>	(Name of state)	
c Medicare wages and tips	<b>3250</b>	g Local income tax withheld	
d Social security tips		(Name of locality)	
e Federal income tax withheld		h Social security tax withheld	
		i Medicare tax withheld	

8 Form 1099-R. Enter distributions from pensions, annuities, retirement/profit-sharing plans, IRAs, insurance contracts, etc.

a Gross distribution		f Federal income tax withheld	
b Taxable amount		g State income tax withheld	
c Taxable amount not determined	<input type="checkbox"/>	h Local income tax withheld	
d Total distribution		i Employee contributions	
e Capital gain (included in line 8b)		j Distribution codes	

9 How did you determine the amounts on lines 7 and 8 above?  
**CLIENT PROVIDED AMOUNT**

10 Explain your efforts to obtain Form W-2, Form 1099-R, or Form W-2c, Corrected Wage and Tax Statement.  
**NONE**

Form **4137** (Rev. 12-18-15) **Social Security and Medicare Tax on Unreported Tip Income WAGES** OMB No. 1545-0074

Department of the Treasury Internal Revenue Service **► Information about Form 4137 and its instructions is at [www.irs.gov/form4137](http://www.irs.gov/form4137).** **2016** Attachment Sequence No. **24**

Name of person who received tips. If married, complete a separate Form 4137 for each spouse with unreported tips. Social security number

1	(a) Name of employer to whom you were required to, but did not report all your tips (see instructions)	(b) Employer identification number (see instructions)	(c) Total cash and charge tips you received (including unreported tips) (see instructions)	(d) Total cash and charge tips you reported to your employer
A	ABC Person	Unavailable	3250	
B				
C				
D				
E				

**WAGES**

2 Total cash and charge tips you received in 2016. Add the amounts from line 1, column (c) **2 3250**

3 Total cash and charge tips you reported to your employer(s) in 2016. Add the amounts from line 1, column (d) **3**

4 Subtract line 3 from line 2. This amount is income you must include in the total on Form 1040, line 7; Form 1040NR, line 6; or Form 1040NR-EZ, line 3 **4 3250**

5 Cash and charge tips you received but did not report to your employer because the total was less than \$20 in a calendar month (see instructions) **5**

**WAGES**

6 Unreported tips subject to Medicare tax. Subtract line 5 from line 4 **6 3250**

7 Maximum amount of wages (including tips) subject to social security tax **7 118,500.00**

8 Total social security wages and social security tips (total of boxes 3 and 7 shown on your Form(s) W-2) and railroad retirement (RRTA) compensation (subject to 6.2% rate) (see instructions) **8**

9 Subtract line 8 from line 7. If line 8 is more than line 7, enter -0- **9 118,500**

10 Unreported tips subject to social security tax. Enter the smaller of line 6 or line 9. If you received tips as a federal, state, or local government employee, see instructions **10 3250**

11 Multiply line 10 by 0.062 (social security tax rate) **11 202**

12 Multiply line 6 by 0.0145 (Medicare tax rate) **12 47**

13 Add lines 11 and 12. Enter the result here and on Form 1040, line 58; Form 1040NR, line 56; or Form 1040NR-EZ, line 16 (Form 1040-SS and 1040-PR filers, see instructions) **13 249**