

Going From Under the Table to On the Books: Talking to Employers About Nanny Taxes

Presented by Lora Brawley, owner of Nanny Care Hub and creator of the A to Z Nanny Contract

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It's never too late to talk to yr employers about getting paid legally.

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WHAT IS LEGAL PAY?

taxes paid on all income Employers should pay taxes on all of a nanny's gross wages, not just a partial amount.

minimum wage In pretty much every area, minimum wage is below a competitive rate, however with the increase in minimum wage in many areas, it's getting closer for some entry level positions.

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WHAT IS LEGAL PAY?

overtime paid for all hours over 40 or for the state's threshold Nannies should receive 1.5 times the regular rate for all overtime hours worked.

worker's compensation Not all states require household employers to carry worker's compensation insurance but many do.

other legal requirements More and more states are requiring household employers to provide additional benefits like paid sick time or family leave.

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WHAT ARE THE ADVANTAGES TO YOU?

following the law

proof of income rent an apartment, get a car or home loans

Social Security & Medicare research shows the average legally-paid household employee will receive in retirement \$5 for every \$1 they contributed

unemployment benefits

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WHAT ARE THE ADVANTAGES TO YOU?

disability financial help for any disabling injury or illness that doesn't result from the workplace (includes maternity leave)

workers' compensation financial help with lost wages and medical expenses due to injury or illness in the workplace

earned income tax credit nannies may qualify for this federal tax break if they meet the criteria

possible COVID benefits

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SELLING POINTS TO EMPLOYER

safe from audit, back taxes, interest, penalties and fines (remember lots of things can trigger an audit)

stay out of legal hot water it's rare but an employer can be charged with tax fraud and can lose professional license

tax credits and other financial breaks

providing legal protections to your nanny is just the **right thing to do**

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SELLING POINTS TO EMPLOYER

important piece of YOUR healthy employment relationship

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KNOW THE NUMBERS

Know how taxes will impact your take home (net) pay. Use a payroll calculator to figure out the gross vs. net wages.

Know what it will cost your employers. (About 9 to 11% in payroll taxes)

Understand non-taxable income like health reimbursement account, tuition, public transportation, and parking.

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GETTING TO THE CONVERSATION

Nanny: David, I have something I'd like to talk to you about. It should only take about 5 or 10 minutes. Do you have time one evening this week after the kids go to bed?

Employer: What's going on?

Nanny: There isn't a problem. I recently took a class on nanny taxes and I'd like to talk with you about the information they gave us.

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GETTING TO THE CONVERSATION

Employer: What did they say?

Nanny: I'd really like to talk with you at a time when we both can focus on the conversation. Would an evening this week work for you?

Employer: Well, Friday night would be the best.

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GETTING TO THE CONVERSATION

Nanny: Great, I'll plan on being here at 8:30. Will that give you time to get the kids to bed?

Employer: OK, that will work.

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COMMUNICATION TOOLS

acknowledgement / making their arguments your own Let them know you understand their POV and how they feel. By stating their objections or justifications before they do, you take the emotional impact out of those statements from them.

EXAMPLE: "David, I understand nanny taxes weren't an expense you figured into your childcare budge and if you want to do them yourself, it will add another task to an already busy schedule. However, it's important for me to pay taxes on all of my wages."

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COMMUNICATION TOOLS

I statements Take responsibility for your feelings and actions without making excuses or assigning blame. Keep the conversation focused on YOUR reasons. Don't go into why THEY need to pay on the books. It's a losing argument.

EXAMPLE: "Although I haven't paid taxes on the money I've earned in the past year, it's important for me to begin paying taxes now."

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COMMUNICATION TOOLS

broken record Stay on track by stating your position over and over again.

EXAMPLE: "it's important for me to pay taxes on all of my wages."

pregnant pause When you have said what you need to say, stop talking.

EXAMPLE:

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TIPS

- Expect push back. Don't take it personally.
- Give them time to think about it. This is a big change.
- Use the calculators and know the numbers. Print the out for your employers to see.
- Give them the contact info for the nanny tax companies.

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WHY YOU NEED TO BE PAID LEGALLY

financial security

Nanny: "It's important for my financial stability and peace of mind that I'd be able to get unemployment, worker's comp, or disability if I ever needed it."

proof of income / credit score

Nanny: "It's essential that I can prove my income and have my employer listed on my credit report."

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WHY YOU NEED TO BE PAID LEGALLY

uncomfortable breaking the law

Nanny: "I'm no longer comfortable not paying my fair share of taxes."

professional obligation / identity

Nanny: "I take the work I do seriously and part of that means being paid on the books like any other employee."

walk the walk

Nanny: " I work everyday to teach your child to do what's right. I need to walk the walk in my personal life."

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THE CONVERSATION

Nanny: David, like I said the other day I recently went to a workshop on nanny taxes. Being paid on the books will let me save for retirement, collect unemployment if this job ends, claim my income so I qualify for financing and build a reportable work history. After hearing all the benefits of being paid legally and thinking about my responsibility to pay my fair share, I realized I need to begin paying taxes on my income. I know this wasn't part of our original agreement and it will increase your childcare costs. However it's important for me as a professional to pay taxes on my wages. I did some research and there are tax breaks for you that can lower the amount of taxes you pay. Sometimes by quite a bit.

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COMMON PUSHBACK

"You agreed to be paid under the table when we hired you."

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COMMON PUSHBACK

They're right. You're changing the rules of the game in the middle of the game. If this were any other issue like schedule or rate, I'd say you need to wait until your anniversary date to renegotiate your contract terms. However this is a legal issue and no one should have to wait to stop breaking the law.

Nanny: "You're right, I did. And I apologize for not making this a part of my original requirements for taking the job. However I didn't understand my legal obligations at that time. Now that I know what's required, it's important that I follow the law."

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COMMON PUSHBACK

“We can’t afford the employer taxes”

“We can’t afford to pay you what you need if you have taxes deducted from your check.”

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COMMON PUSHBACK

This is rarely true. If it is, there’s a good chance they simply can’t afford a nanny. Bottomline - you want to work for a family that can afford and is willing to pay for your services. Don’t fall into the trap of feeling guilty or greedy for asking to be paid legally. It’s your right. And their responsibility.

You can forgo an upcoming raise or part of a raise if that’s workable for you but it’s definitely not necessary.

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COMMON PUSHBACK

Nanny: “I understand this is an extra expense for you. Believe me, I’m not looking forward to taxes being taken out. I know my take home pay will drop significantly. However it’s important to me that I begin being paid legally.”

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COMMON PUSHBACK

"We don't have the time to do all the work involved in taxes."

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COMMON PUSHBACK

Time and hassle are often bigger stumbling blocks than money. Suggest a full service tax firm.

Nanny: "I know you're already really busy and don't want to take on this extra task. I can recommend a nanny tax service that can do it all for you on take on the parts that are really time consuming. "

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TAX HELP

HomeWork Solutions

<http://www.homeworksolutions.com/>

Say you were referred by the A to Z Nanny Contract and get free registration, a \$100 value

HomePay by Care (formally Breedlove and Associates)

<https://www.care.com/homepay>

Say you were referred by the A to Z Nanny Contract and get your first month free

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