



# **EMPLOYING A CAREGIVER IN YOUR HOME**

## **Important Information You Should Know**

**Distributed by the  
Vermont Association of Area Agencies on Aging**

This document is available on line at [www.nevaaa.org](http://www.nevaaa.org) or  
in alternative formats by calling the Senior HelpLine at 1-800-642-5119

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## Finding a Caregiver

There are two options for finding a caregiver. One is to engage the services of an agency that employs caregivers and schedules them to work in your home. Call the Senior HelpLine at 1-800-642-5119 to get a listing of agencies in your area that employ and schedule caregivers to work in the homes of individuals requesting their help. The second option is to hire a caregiver directly. This publication was written to assist you if you are hiring a caregiver directly.

Vermont's Direct Care online registry [www.RewardingWork.org/vt](http://www.RewardingWork.org/vt) provides a free up-to-date listing of direct care workers who are ready and willing to work. The Vermont Direct Care Registry helps by letting you identify the right candidates – quickly. You will need an access code to be able to create an account for the Registry. If you need an access code or assistance using a computer to make use of this site, please call the Senior HelpLine at 1-800-642-5119.

## Checking into the Background of a Potential Employee

Before hiring, always ask for and thoroughly check a potential employee's character and employment references. Keep in mind, however, that occasionally former employers will say good things about bad people or bad things about good people. Once you have identified a person you would like to hire as a personal assistant, you may wish to conduct a criminal or other background check. If you use a payroll management agency, ask them if they automatically perform background checks as part of their standard practice.

Listed below are web links to Vermont resources that can help you perform background checks. Please note that these links will only provide information about acts committed in Vermont.

The Vermont Adult Abuse Registry is maintained by the Vermont Department of Disabilities, Aging and Independent Living (DAAIL). This registry lists individuals found to have abused or exploited vulnerable adults. The Vermont Child Protection Registry is maintained by the Vermont Department for Children and Families (DCF) and includes substantiated cases of child abuse dating from 1992.

To check either registry go to [www.dail.state.vt.us/lp/aps.htm](http://www.dail.state.vt.us/lp/aps.htm) and click APS and Child Abuse Registry Consent for Release of Information Form. Print the form and mail it to the address listed on the form. Note that an employer can access the registry only with the permission of the employee and after you have made an actual offer of employment. This information is free.

[The Vermont Criminal Information Center \(http://www.dps.state.vt.us/cjs/vcic.htm\)](http://www.dps.state.vt.us/cjs/vcic.htm) is operated by the [Vermont Department of Public Safety](http://www.dps.state.vt.us/cjs/vcic.htm) and has information on all criminal convictions in the state of Vermont. The Vermont Criminal Information Center link takes you to the start of the request process. Anyone may request a background check. There is a cost of \$30 per background check.

Background checks conducted by the [Vermont Department of Motor Vehicles \(http://dmv.vermont.gov/\)](http://dmv.vermont.gov/) can be obtained at a cost \$11 for records covering the last three years

or \$16 to cover all records for a particular driver. At the DMV website, click on the link to “Forms & Applications” to find the VG 116 Record Request Form. Complete the form, print and mail to the Department of Motor Vehicles. You will need the permission of the employee to conduct the DMV check.

## **Responsibilities as an Employer**

Many people need help to live independently in their homes. Some people need help with household tasks like cleaning, shopping, and errands; other people need help with more personal tasks like bathing and dressing. If you pay a “caregiver” to assist you with these tasks, and that person does not work for an agency or organization, you are probably that person’s “employer” – and you may have specific responsibilities under both state and federal laws, including payroll tax withholding. Your responsibilities depend on the total wages that you pay the employee.

If a relative or friend helps you with the paperwork or sending in the tax payments, you are still considered the “employer”, so long as your funds are used to pay the caregiver. Your relative or friend will need to make sure that all the tax and immigration forms identify you as the employer.

This brochure will help you to understand your responsibilities as an employer. You may decide to manage your responsibilities on your own. If so, you should understand the details within this brochure.

However, the rules are complicated and some people may feel overwhelmed by the paperwork, calculations and tax payment deadlines. If you need help managing your responsibilities as an employer, you can hire another person or agency to handle them for you. A bookkeeper or accountant may be able to help or you might decide to hire a professional payroll management agency.

An employer’s responsibilities are somewhat complicated because they involve two levels of government, federal and state, as well as several different government agencies. If you employ a caregiver, you may have payroll withholding responsibilities in the following areas:

- 1) Employee Eligibility Verification
- 2) Federal Income Tax
- 3) Federal Social Security and Medicare Taxes
- 4) Federal Unemployment Tax
- 5) Vermont Income Tax
- 6) Vermont Unemployment Tax
- 7) Workers’ Compensation Insurance

**1. Employee Eligibility Verification**  
**(U.S. Department of Justice – U.S. Citizenship and Immigration Services)**

When a new employee is hired, the employer must verify that the employee is either a U.S. citizen or is present in this country legally. The employer is required to complete and retain U.S. Citizenship and Immigration Services (USCIS) employee eligibility verification Form (I-9).

To obtain Form I-9, call the U.S. Citizenship and Immigration Services 1-800-870-3636 and ask for publication M-274, The USCIS Handbook for Employers, or log onto [www.uscis.gov](http://www.uscis.gov) For questions about the employment eligibility verification process or other immigration related employment questions, contact the USCIS Office of Business Liaison at 1-800-357-2099.

**2. Federal Income Tax**  
**(U.S. Internal Revenue Service)**

If you pay a household employee \$1,700 or more in cash wages in one year, you must withhold federal income tax from what you pay that employee, based upon the current rate of withholding. You must then make quarterly tax payments to the Internal Revenue Service.

At the end of each year, you must provide the employee with a completed W-2 form, showing the wages and taxes that you paid for the year. You then send a copy of the W-2 form along with a copy of the W-3 form to the IRS. You must also file a “Schedule H” form with your own annual income tax return.

Schedule H is entitled “Household Employment Taxes”. Schedule H reports how much income tax you withheld from the employee/caregiver’s wages, as well as the amount of Social Security taxes, Medicare taxes, and federal unemployment taxes (FUTA) withheld.

**3. Social Security Taxes and Medicare Taxes**  
**(U.S. Internal Revenue Service)**

If you pay an employee \$1,700 or more per year in wages, you must also withhold and pay Social Security and Medicare taxes to the IRS. The employer pays the employer’s share of these taxes (7.65% of the cash wages) and also withholds and pays the employee’s share of these taxes (also 7.65% of the cash wages) to the IRS. If the employer does not withhold the employee’s share, then the employee must pay income tax on the additional 7.65% as earned wages. Either way, an amount equal to 15.3% of an employee’s cash wages must be sent to the IRS every quarter.

**4. Federal Unemployment Tax**  
**(U.S. Internal Revenue Service)**

If you pay \$1,500 or more in total wages to all employees in one quarter, you must pay federal unemployment tax (FUTA) taxes. The amount is based on the current FUTA rate, and is paid to the Internal Revenue Service on a quarterly basis. You file Schedule H with your own annual tax return, once each year. You give each employee a W-2 Form and a W-3 Form to the IRS.

You can get more information about your federal tax responsibilities (Income Tax, Social Security Tax, Medicare Tax, and Federal Unemployment Tax) from IRS Publication 926, Household Employer's Tax Guide. Call 1-800-829-3676 to order IRS forms or view publications online at [www.irs.gov](http://www.irs.gov). Call 1-800-829-1040 to ask the IRS questions about your federal tax responsibilities.

## **5. Vermont Income Tax (Vermont Department of Taxes)**

If you withhold and pay federal income taxes on your employee's wages (as described above), you must also withhold and pay state income taxes. The Vermont Withholding Booklet provides withholding charts and other useful information to determine the amount of withholding. It is available at the business section of the website [www.state.vt.us/tax](http://www.state.vt.us/tax) or by calling 1-802-828-2551.

State income taxes are paid on a quarterly basis to the Vermont Department of Taxes. First, you'll need a business account number from the Vermont Department of Taxes. To obtain an account number, complete Form S-1, available from the Taxpayer Services Division, 109 State Street, Montpelier, VT 05609 or by calling 1-802-828-2551.

Once you have a business account number, you'll need to file a quarterly state tax return, even in those quarters when no withholding occurred. Once a year, you will also need to file Form WH-434 with the Vermont Department of Taxes and include a copy of the federal W-2 form that you issued to your employee.

## **6. State Unemployment Compensation (Vermont Department of Employment & Training)**

If you pay total cash wages of \$1,500 or more in any calendar quarter for domestic services in a private home, you must pay state unemployment compensation. You must pay taxes on your employees' wages for the entire year and continue to report and pay taxes until your account is terminated.

First, you'll need an unemployment account number from the Vermont Department of Labor (DOL) by calling 1-802-828-4344, or by logging on to the DOL website at [www.labor.vermont.gov](http://www.labor.vermont.gov) and going to the "forms and publications" page. This form can be completed and submitted online or it can be printed and returned to the DOL by mail at P.O. Box 488, Montpelier, VT 05601, or by fax at 1-802-828-4248.

If the DOL determines that you are required to pay unemployment compensation taxes, you will receive quarterly reporting forms, which you must complete and return with your unemployment tax payments to the Department of Labor. If the employment relationship ends (for example: you no longer need a caregiver), then a Notice of Change, Form C-36 must be completed and submitted to the DOL to inform the Department that no more contributions will be required.

The rate for new employers is one percent (1%) on the first \$10,000 paid to each employee during each calendar year. A copy of Publication A-26, The Employer's Manual, can be obtained by calling 1-877-214-3331 or by logging on to [www.labor.vermont.gov](http://www.labor.vermont.gov).

## **7. Worker's Compensation (Private Insurance)**

Worker's Compensation Insurance provides coverage for employees who are injured on the job, including medical expenses and wages that are lost due to an injury which occurs during employment.

The Vermont Workers' Compensation statute (21 V.S.A. 601-14-e) does **not** require that domestic employees be covered by Worker's Compensation. However, you may **choose** to have your household employees covered by Worker's Compensation. This insurance provides protection for the employee – an advantage to the employee. If the employee is covered by Worker's Compensation insurance, the employee cannot sue the employer for additional compensation for an injury that occurs at work – an advantage to the employer. You may want to discuss your liability for your employees' injuries with an attorney or an insurance advisor.

Worker's Compensation coverage costs about \$900 per year (the exact amount depends on the type of employee and the employer's own risk rating.) You can secure Worker's Compensation insurance coverage for your employees by calling a local private insurance agent who handles your homeowner's or automobile policies. Worker's Compensation insurance is not cost-effective for insurance agents, but they will provide it to existing customers as a customer services.

## **Penalties!**

### **Federal Penalties**

If an employer does not withhold federal taxes for an employee, and the employee is assessed delinquent taxes at the end of the year, the employee can ask the IRS to investigate the situation by filing a Form SS-8. The IRS has the power to assess penalties and interest against an employer who fails to file returns or pay taxes as required. The amount of the penalties are calculated by the IRS, based on the failure to file the required forms, the amount owed, and the amount of time the tax has gone unpaid.

### **State Penalties**

Under Vermont state law, an employer who fails to withhold, file, or pay taxes of more than \$500.00 owed to the State of Vermont may be punished by not more than 3 years in prison and a fine of not more than \$10,000. These extreme penalties have never been imposed on a household employer, but they could be.

## **Alternatives**

If you cannot manage the required payroll withholding and payments for your employee(s), or if you do not wish to manage these requirements yourself, you can hire a private bookkeeper, accountant, or a payroll service company to manage these tasks for you.

**For more information, please call  
the Senior HelpLine at 1-800-642-5119**

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The Area Agency on Aging for Northeastern Vermont

## **EMPLOYER CHECKLIST**

- ❑ Employee Eligibility Verification Form (Form I-9 from the U.S. Citizenship and Immigration Services (USCIS). See page 4 section 1 of this publication for information.
- ❑ Proof of employee/caregiver identity; see page 4 section 1 of this publication for information.
- ❑ Copy of U.S. Citizenship and Immigration Services (USCIS) Handbook for Employers, Publication M-274, see page 4 section 1 of this publication for information.
- ❑ Proof of employee/caregiver eligibility to work in the United States; see page 4 section 1 of this publication for information.
- ❑ Completed Form W-2 from the Internal Revenue Service, see page 4 section 2 of this publication. Call 1-800-829-3676 to order IRS Forms.
- ❑ Completed Form W-3 from the Internal Revenue Service (necessary in order to submit W-2) see page 4 section 2 of this publication for further information. Call 1-800-829-3676 to order IRS Forms.
- ❑ Completed Schedule H (Household Employment Taxes) from the IRS, see page 4 section 2 of this publication for further information. Call 1-800-829-3676 to order IRS Forms.
- ❑ Copy of *Household Employer's Tax Guide*, IRS Publication 926, see pages 4-5 section 4 of this publication for information on how to obtain IRS forms and publications.
- ❑ Copy of Vermont Tax Form S-1 (to obtain a Business Account Number) from the Vermont Department of Taxes; see page 5 section 5 of this publication for information on how to obtain this form.
- ❑ Copy of Vermont Tax Form WH-434 from the Vermont Department of Taxes; see page 5 section 5 of this publication for information on how to obtain this form.
- ❑ Obtain an Unemployment Account Number from the Vermont Department of Labor; see pages 5-6 section 6 of this publication for DOL contact information.
- ❑ Copy of Vermont DOL Form C-1 (Status Report) from the Vermont Department of Labor; see page 5-6 section 6 of this publication for DOL contact information.
- ❑ Copy of Vermont DOL Form C-36 (Notice of Change) from the Vermont Department of Labor; see page 5-6 section 6 of this publication for DOL contact information.