

# Tax-Time Tips

*How to Save Time, Money and Headaches on April 15<sup>th</sup>*

With the income tax deadline rapidly approaching, it's a good time to share a few tax-related tips, reminders and updates - along with some helpful resources for additional information. Investing a few minutes now may help you avoid expensive, time-consuming legal problems.

1. If you paid a household employee more than \$1,600 during the 2008 tax year - or more than \$500 during any calendar quarter of 2008 - you may have tax obligations that need to be addressed prior to filing your personal federal tax return. Obligations are complicated and can vary depending on the details of your situation so we won't try to list them all here. If you think you may have obligations, we strongly advise you to talk to a tax and labor law expert who specializes in household employment. As a client of ours, we've arranged a complimentary, no-obligation phone consultation with one of the nation's leading household employment experts, Breedlove & Associates (1-888-273-3356). In about 10 minutes, they can assess your individual situation, run payroll scenarios, help you budget, maximize your tax breaks and generally answer all your questions.

**Note:** *While some families choose to pay their employee "under the table," please understand that this practice is illegal and potentially very expensive. The IRS and the state unemployment office are aggressively enforcing the law with steep penalties (and occasionally even time in prison - a couple was recently sentenced to 14 months after violating the restitution terms of their probation stemming from a felony conviction for household employment tax evasion). Although prison is very rare, please be forewarned that expensive, time-consuming legal problems are becoming increasingly common.*

2. There are tax breaks which can offset - sometimes even exceed - the employer tax obligations, so there is very little financial incentive to take the risk noted above. Those who pay legally have two tax break options: 1) Flexible Spending Account and 2) Child/Dependent Care Tax Credit. For more information about how to maximize your tax breaks, contact Breedlove & Associates (1-888-273-3356; [www.breedlove-online.com](http://www.breedlove-online.com)) or the IRS (1-800-829-4933; [www.irs.gov](http://www.irs.gov)) or a tax professional.

**Note:** *Your income tax return will ask you for a Federal Employer Identification Number (FEIN) in order to take advantage of these tax breaks. Please note that the FEIN needs to be registered to you (establishing a household FEIN is one of the first steps in fulfilling the legal obligations outlined in #1 above).*

3. If you pay a service to help you with household payroll and tax filings, the fees are tax deductible.
4. More than likely, your employee will see significant benefits from the recently-enacted *Making Work Pay initiative*. In addition to lower tax rates, the Earned Income Tax Credit has been expanded to provide more tax relief to lower-wage workers, especially those with children. For more info about the EITC, visit [www.irs.gov](http://www.irs.gov). While there, your employee may want to check out the IRS Free File Program, which provides free tax preparation service to American taxpayers earning less than \$56,000 per year.

We hope this information helps make tax time a little easier and a little less expensive. If you have any questions, please don't hesitate to call.