

Household Employees Without a W-2

Background

A household employee is an individual who is paid to provide a service within their employer's residence. The IRS defines “household employees” as au-pairs*, 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.

***Caution!** An au pair will most likely be present in the U.S on a J-1 visa. Use the [1040 vs. 1040NR Screening Tool](#) to determine whether the taxpayer is a nonresident alien who should be referred to the Foreign Students and Scholars Program. If the au pair is instead determined to be a resident alien for the tax year, report the income as indicated in this document.

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. In some circumstances, a client who is a household employee and earned over \$1,900 will not have received a Form W-2 from the employer although the income must be reported on the tax return.

If a household employee is paid less than \$1,900, the employer is not required to issue a Form W-2 but the earnings must still be reported on the employee’s tax return.

Tax returns for household employees earning less than \$1,900 without a W-2 are prepared differently than tax returns for household employees making \$1,900 or more without a W-2. Additionally, household employees may not deduct business expenses from earnings.

Note: 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 who did not receive a Form W-2 from their employer requires **Advanced** tax preparer certification.

How to Assist Tax Clients

In all cases, first determine whether the client is in fact a Household Employee OR is a self-employed contractor (including those paid as a contractor but who in reality should be paid as an employee (a so-called misclassified employee)). For example, did the taxpayer perform work for only one employer or for multiple people? Refer to the [Misclassified Employee Screening Tool](#) if

status is unclear.

The scenarios outlined below assume that the employee is determined to be a Household Employee whose employer did not provide Form W-2. If a W-2 was provided to the employee, tax return preparation follows the usual process for W-2 tax form entry in TaxSlayer.

Scenario #1. Preparing a Return for a Household Employee paid LESS than \$1,900 in wages:

1. In TaxSlayer, navigate to **Federal Section → Income → Less Common Income → Other Compensation → Household Employee Income**.
2. In **Amount Paid**: enter the amount paid (not to exceed \$1900).
3. Click on **Continue**.
4. On the **E-File** screen in TaxSlayer, set the **Return Type** to **E-file**.

Note: The household employee taxpayer is not liable for Social Security or Medicare taxes on these wages. **HSN** will appear on the dotted line next to line 7 on the Form 1040. The return can be e-filed.

Scenario #2. Preparing a Return for a Household Employee paid MORE than \$1,900 in wages:

1. In TaxSlayer, navigate to **Federal Section → Income → W-2**.
2. Click the checkbox to the left of **This is a substitute W-2**.
3. If the return is Married Filing Jointly (MFJ), indicate if the W-2 is for the Taxpayer or Spouse
4. In the **Employer** section, enter:
 - a. The employer's EIN. If the EIN is unknown or not available, enter **74-5555555** as a placeholder number.
 - b. Employer name and address
5. In the **Wages** section,
 - a. Click in **Box 1 Wages, Tips** and enter: 1.00
 - b. Click in **Box 8, Allocated Tips** and enter the total wages earned by the household employee taxpayer.

6. Scroll down and click on **Continue**.
7. Complete the Substitute W-2 questions based on client interview

For example:

How did you determine the amounts on the Substitute W-2? **Client provided amount.**

Explain your efforts to obtain Form W-2: **None.**

8. Click on **Continue**.
9. On the **E-File** screen in TaxSlayer, set the **Return Type** to **Paper**.
10. Complete the remainder of the **E-File** and **Submission** screens as usual in order to prepare the return to be Quality Reviewed.
11. Once the return has been Quality Reviewed, it is ready to be modified and finalized so that the client can mail it to the IRS. The placeholder EIN (if used) and other information on the tax return must be modified before the tax return is ready to be sent to the IRS.

Note: An FC staff member is generally responsible for making these changes to the return. Contact your Site Manager for assistance.

Note: These instructions cover printing and physically “whiting out” data on the printed tax return. The tax return can also be digitally altered and then printed if tools are available to do so. Print the return, selecting the **FC PAPER PRINT SET** option.

12. Verify that the printed tax return includes **Form 4852** and **Form 4137**.
13. Use correction tape or liquid White-Out to remove and edit the following.
 - a. **Form 4852:** If you used the placeholder **74-5555555** as the **Employer’s or payer’s TIN** (EIN), remove the placeholder number and write in or enter: **Unavailable**
 - b. **Form 4137:** If you used the placeholder **74-5555555** as the **EIN**, remove the placeholder number in **Column (b)** and write in or enter: **Unavailable**
 - c. **Form 4137:** Cross out or remove the words “tips” where it occurs and write in or enter the word “Wages” in its place.

(See below for modified sample forms.)

14. Make a copy of the modified tax return for the client’s records.
15. Instruct the client to:

- a. Sign the 1040.

b. Staple to page one of the 1040 any income forms to be included (eg, W-2s or Form 1099s with withholding).

c. Mail the entire packet to the IRS.

Form 4137		Social Security and Medicare Tax on Unreported-Tip Income WAGES		OMB No. 1545-0073
Department of the Treasury Internal Revenue Service (99)		▶ Go to www.irs.gov/Form-4137 for the latest information. ▶ Attach to your tax return.		2020 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 didn't 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 Plumbers	UNAVAILABLE **-**-****	3250	
B				
C				
D				
E	WAGES			
2	Total cash and charge tips you received in 2020. Add the amounts from line 1, column (c)	2	3250	
3	Total cash and charge tips you reported to your employer(s) in 2020. 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 or 1040-SR, line 1; or Form 1040-NR, line 1a	4	3250	
5	Cash and charge tips you received but didn't report to your employer because the total was less than \$20 in a calendar month (see instructions)	5		
6	Unreported tips subject to Medicare tax. Subtract line 5 from line 4	6		
7	Maximum amount of wages (including tips) subject to social security tax	7	137,700	
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		
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		
12	Multiply line 6 by 0.0145 (Medicare tax rate)	12		
13	Add lines 11 and 12. Enter here and include as tax on Schedule 2 (Form 1040), line 5; Form 1040-PR, Part I, line 6; or Form 1040-SS, Part I, line 6. See your tax return instructions.	13		

Form **4852**
(Rev. September 2020)

Department of the Treasury
Internal Revenue Service

**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.**

▶ Attach to Form 1040, 1040-SR, or 1040-X.
▶ Go to www.irs.gov/Form4852 for the latest information.

OMB No. 1545-0074

Attachment
Sequence No. 04

You must take the following steps before filing Form 4852

- Attempt to get your Form W-2, Form W-2c, or Form 1099-R (original or corrected) from your employer or payer before contacting the IRS or filing Form 4852.
- If you don't receive the missing or corrected form from your employer or payer by the end of February, you may call the IRS at 800-829-1040 for assistance. You must provide your name, address (including ZIP code), phone number, social security number, and dates of employment. You must also provide your employer's or payer's name, address (including ZIP code), and phone number. The IRS will contact your employer or payer and request the missing form. The IRS will also send you a Form 4852. If you don't receive the missing form in sufficient time to file your income tax return timely, you may use the Form 4852 that the IRS sent you to file with your return.

1 Name(s) shown on return TAXPAYER		2 Your social security number XXX-XX-XXXX	
3 Address 1234 BROAD ST AUSTIN TX 78750			
4 Enter year in space provided and check one box. For the tax year ending December 31, <u>2020</u> . I have been unable to obtain (or have received an incorrect) <input checked="" type="checkbox"/> Form W-2 OR <input type="checkbox"/> 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 ABC PERSON 1234 MAIN ST AUSTIN TX 78750		6 Employer's or payer's TIN (if known) 74-5555555 UNAVAILABLE	
7 Form W-2. Enter wages, tips, other compensation, and taxes withheld.			
a Wages, tips, and other compensation	<u>3250</u>	f State income tax withheld	_____
b Social security wages	<u>3250</u>	(Name of state)	_____
c Medicare wages and tips	<u>3250</u>	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	_____