

HOLTZ  
RUBENSTEIN  
REMINICK

# ADVISER

## Update: Social Security/Nanny Tax

The Social Security Administration recently announced that the 2010 taxable earnings of FICA wages and self-employment income will remain unchanged at \$106,800. Additionally, the total tax rates will remain unchanged. The maximum amount of taxable earnings that are subject to the Social Security tax (at 6.2% for an employee and 12.4% for a self-employed person) will remain at \$106,800.

As in 2009, there is no limit on earnings subject to the Medicare tax (at 1.45% for an employee and 2.9% for a self-employed person). In summary, the combined tax rate on the first \$106,800 of earnings will be 7.65% for employees (plus a matching 7.65% by the employer) and a 15.3% self-employment tax rate; however, self-employed individuals may deduct one-half of their self-employment tax, resulting in an effective rate of approximately 12%.

### Nanny tax:

During 2009, if you paid a household employee \$1,700 or more in cash wages in the calendar year, you may withhold the employee's share (7.65%) of Social Security from the household employee.



For 2010, the wage threshold for household employers to withhold these taxes will remain at \$1,700. Additionally, household employers are required to pay Federal unemployment tax if they pay total cash wages of \$1,000 or more in any calendar quarter of the current or preceding year to household employees.

These taxes are paid to the IRS along with your 2009 Federal income tax return. You also must provide the employee with Form W-2 by February 1, 2010 and to the IRS by March 1, 2010.

Note that the law still requires employers who live in New York and pay wages of \$500 or more in any calendar quarter to file quarterly unemployment insurance returns.

Keep in mind that in New York, worker's compensation and disability insurance also are required for a household employee who is employed at least 40 hours per week by any one employer. Caution: Other states have similar requirements.



Who is considered a "household employee"?	Who is NOT considered a "household employee"?
Anyone who works in and around your private residence: <ul style="list-style-type: none"> <li>• Nannies,</li> <li>• Housekeepers/maids,</li> <li>• Babysitters,</li> <li>• Gardeners, and others.</li> </ul> 	Anyone not considered your employee, including: <ul style="list-style-type: none"> <li>• Repairmen,</li> <li>• Plumbers, and</li> <li>• Contractors.</li> </ul> 

For more information, contact Staff Accountant Ann Kaplan at 631-719-3259, [AKaplan@hrrllp.com](mailto:AKaplan@hrrllp.com).

To view other articles vital to the success of you and your business, visit <http://www.holtzrubenstein.com/adviser/adviser.php>



CERTIFIED PUBLIC ACCOUNTANTS. BUSINESS ADVISERS.

Superior Thinking.  
Unmatched Integrity.

Holtz Rubenstein Reminick LLP • [www.hrrllp.com](http://www.hrrllp.com)

1430 Broadway  
New York, NY 10018  
212-697-6900

125 Baylis Road  
Melville, NY 11747  
631-752-7400

To change contact information, please contact [info@holtznews.com](mailto:info@holtznews.com)

ARTICLES INCLUDED HEREIN DO NOT CONSTITUTE AN OPINION AND ARE NOT INTENDED OR WRITTEN TO BE USED, AND THEY CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER. This publication is designed to present matters of general interest relating to accounting, taxation and business management. Articles were written by the staff of Holtz Rubenstein Reminick LLP. Please consult your HRR adviser before taking any specific actions.

©2009 Holtz Rubenstein Reminick LLP.