

Nanny-Share Arrangements

What You Need to Know If You Share a Nanny With Another Family

A Complimentary Resource from
Breedlove & Associates

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To afford professional, in-home childcare, many families look to share the cost of a nanny with another family. When two families enter into a “Nanny-Share,” does this change their legal obligations or how they handle payroll and taxes?

Definition of a nanny-share

For the purpose of discussing legal obligations, a nanny-share is defined as two families sharing the expense of employing a nanny to care for their children as a group. The nanny and children may alternate between the two family homes, but care is provided to the children of both families as one job for the nanny. The nanny has two employers, each paying a portion of one salary. This is a nanny-share.

If two families hire the same nanny to care for their children, but the care is provided separately, this is not a nanny-share arrangement. This is different because the children are not cared for as a group — the nanny works for one family at a time and the children are cared for in their own home. In this case, the nanny has two part-time jobs.

How to handle payroll and taxes in a nanny-share

In a nanny-share, each family is viewed as a separate household employer in the eyes of the law, even if the care is always provided in only one of the homes. The nanny takes direction from both families, and both families share in the expense of her wages.

Each family is required to establish themselves as a household employer with the IRS and the state. The families should pay the nanny separately and withhold and remit payroll taxes appropriately to the IRS and to state agencies on their portion of her salary. Although it may seem administratively easier to have one family handle tax withholdings and remittance on the full salary, this creates risk for the family that is not registered as a household employer with the IRS and the state. In addition, there is risk for the family that pays the nanny in full and then has to collect from the second family.

Tax breaks available when both families pay legally

Tax breaks are available when tax accounts are established with the IRS and the state to prove the nanny is paid legally. When each family is established as a household employer and is reporting wages and taxes on their portion of the nanny-share, they are entitled to a tax break of up to \$2,500 per year. In a nanny-share, the savings from the tax breaks usually more than offset the employer tax costs!

In addition to being legally required, the tax breaks usually make it financially advantageous for both families in a nanny-share to establish themselves as household employers with the IRS and the state and to handle the payroll and tax process separately.

If you have any questions about nanny-share arrangements, please don't hesitate to call us at 888-BREEDLOVE (273-3356). We're here to help.

