

# MarketWatch

THE WALL STREET JOURNAL

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16,367.88	+0.56%	4,234.27	+0.19%	1,865.62	+0.44%

### ROI



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## 7 ways to avoid an IRS audit

### Reduce your chances of getting a second look from the IRS



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#### Pay your nanny taxes

Families who find they need to hire someone like a nanny or a home health aide may be more focused on their daily chores than the IRS, but the decision could come with added tax responsibilities. Such workers need to be reported properly to the IRS and families may need to pay Social Security and Medicare taxes and to withhold the worker's share of those taxes just like any employer, says Stephanie Breedlove, vice president of Care.com HomePay, a company that helps families handle payroll taxes and labor law. The rules apply to anyone who was paid more than \$1,800 last year or \$1,900 this year. Often, families don't realize their error until they've parted ways with the nanny and he or she tries to file for unemployment benefits and state authorities learn the person was paid off the books, says Breedlove. Those families then need to pay any back taxes and penalties owed and could be found guilty of tax evasion, she says. Families should also avoid incorrectly listing the nanny as an employee of a small business they may own, which could lead to an exaggeration of business credits and deductions.

Also see: [Caring for a relative? The tax code could help you](#)