

BUSINESS AND TAX PLANNING IDEAS & TIPS

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Household Employees and Workers' Compensation

When a family hires an individual to perform duties in or around their home, they are considered a "household employer." The IRS views the worker – whether a nanny, health aide, housekeeper, gardener, cook/chef, personal assistant, estate manager, etc. – as an employee of the family.

Depending on state law and how many hours an employee works for the family, the employer and employee will be subject to varying tax obligations. But are you aware that household employers may be required to carry Workers' Compensation?

If you are a household employer in Illinois and your employee works 40 or more hours week, you must purchase a Workers' Compensation policy. An employer that knowingly and willfully fails to obtain this insurance may be fined up to \$500 for every day of noncompliance, with a minimum fine of \$10,000.

Householder employers in Wisconsin are not required to carry Workers' Compensation. However, if you don't have a policy already, you should certainly consider purchasing one. **This insurance provides protection for you as the employer, since workers who accept benefits forfeit their right to sue you.** If you have an employee who does physical work – for example, an aide who does lifting – you may especially want to consider purchasing a policy.

Outside of household employees, if you are a small business owner you need to carry Workers' Compensation for your employees. You should check your policy to make sure all information is correct on it (you can do this by calling your insurance agent). For example, if you inherited the policy or your corporation has changed its name, the current name must be on the policy. If your policy paperwork is not in line with your business information, you are risking expensive lawsuits and/or fines.

Don't Get Hit with an I-9 Fine

A New York dentist was recently fined more than \$10,000 (later reduce to \$5,400) for failing to present proper I-9 forms for employees at his dental office. The dentist argued that he did not need to retain the I-9 forms of current employees who had worked for the practice for more than three years.

The Office of the Chief Administrative Hearing Officer rejected this defense as fundamentally "wrong as a matter of law." It's a big mistake that small business owners often make when it comes to Form I-9 compliance. Many business owners think that after three years they can throw away the forms since employees have been there for a long time.

Form I-9 is used for verifying the identity and employment authorization of individuals hired to work in the United States. U.S. Immigration and Customs Enforcement agents are now conducting I-9 audits more frequently and small employers tend to be disproportionately affected.

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Small business owners run into a couple of different problems with I-9 compliance. Many times, they use the wrong version of the form. Or, they don't know how to review eligibility documents. Business owners also sometimes confuse I-9 compliance with E-Verify, which is a free Internet-based system that allows businesses to determine the eligibility of their employees to work in the United States. You may use E-Verify (and in some states you are required to), but you must also complete the I-9; it is not either/or.

In summary, as a business owner you must retain an employee's completed Form I-9 for as long as the individual works for you. You can find instructions and the most current version of Form I-9 at: ppgpartners.net/forms.

Six Tips to Help You Keep Your Taxes Organized Throughout the Year

No one enjoys the stress of scrambling at the last minute to get things organized and trying to beat deadlines. Instead, it is much better to utilize organizational strategies year-round. There are a wide variety of steps you can take to ensure you will already be prepared every year when tax season comes around, rather than trying to organize a year's worth of materials and information in a period of a few weeks. Below are six tips to help you keep your taxes and tax-related information organized throughout the entire year.

1) Think about taxes year-round

Let's face it: we know most people do not like taxes. Many people would much rather ignore their tax obligations until they absolutely have to think about them. However, it is in your best interests to keep taxes in the back of your mind at all times. Have you ever looked back over the past year at tax time and wished you had done something differently that would have been more beneficial for you on your taxes? Do your best to consider the tax implications of your actions all year.

2) Designate one location for tax materials

Pick one spot in your home or office, whether it be a specific desk, a filing cabinet, or some other area, and have that be your designated tax area 365 days per year. Even if you are bad about filing and organizing, if you have one specific area where you put any documents or information that will be needed at tax time, you will not have to go hunting when the time comes to use them.

3) Stick to and maintain a filing system

Pick a method of filing and stick to it. You may prefer an old fashioned filing cabinet, or perhaps you'd rather scan receipts and documents onto a computer and file them that way. Whatever the case may be, choose a filing system that works for your habits and then force yourself to stick to it all year.

4) Pay attention to changes in tax law

Take the time to follow the news and learn about any changes in tax law that occur. Tax law is fluid, and every year is a bit different. Note any changes that occur throughout the year as well as how they may affect you so that you are prepared for these changes come tax time.

5) Utilize technology

Technology can be your best friend when it comes to staying organized with your taxes throughout the year. Consider investing in helpful software like QuickBooks or specialized document scanners that automatically upload and organize information from receipts and other scanned documents onto your computer.

6) Create a paper trail

It is particularly important to have a paper trail to back up your expenses and deductions if you are self-employed or run a small business. If you are ever audited by the IRS, having a paper trail you can use to prove your tax claims will be invaluable. But a paper trail cannot be created in a short time just before taxes are due. It is a process you must continue throughout the year.