

Paying a Caregiver “Under the Table” Is Not Worth the Risk!

Case 1: A caregiver worked privately for a family for two years providing care for their grandmother until she passed away.

- The private caregiver, a few months later, filed for unemployment benefits.
- The family never paid their federal and state unemployment insurance.
- The caregiver did not receive any unemployment benefits.
- The family “got caught.” They had to pay thousands of dollars in back taxes, penalties and interest.

Issues with Hiring Private Caregivers

Case 2: A private caregiver worked for a family being paid “under the table.”

- Shortly after her discharge, she contacted the family and threatened to report them to the IRS unless they paid her “quiet” money.
- The family had to hire an attorney to protect their interests.
- For years, the family dealt with the financial and emotional costs of civil and criminal suits involving the caregiver.
- In addition, they had to pay a substantial sum in back taxes, penalties and interest.

Author’s Note: With over 23 years in the non-medical home care business, the private caregiver horror stories have been virtually the same everywhere. Families, with the best intentions of saving money, thinking they have hired the “right” private caregiver, end up devastated. They are emotional wrecks and often financially ruined in the wake of the havoc and problems caused by private caregivers. Too many times consumers have told us, “We wish someone had forewarned us.” If this brochure helps prevent the loss and pain caused by private caregivers for just one person or family, it has been well worth it.

Don Irish, President - Family Home Care, Inc.

Issues with Hiring Private Caregivers

Who provides care if the private caregiver is sick or can’t make it to their shift?

- If you have “live-in” private caregivers, what happens if you want to fire them, do you have to evict them? Most private caregivers want to be paid “under the table” to evade paying taxes on their earnings. They are asking the household employer to break the law and commit tax fraud.
- Private caregivers say they save household employers money by charging less and no employer taxes because of the “under the table” payments. Actually, the rates they charge are not that different than what it would cost to have a company provide the same care, without breaking the law while getting the benefits of a full service, non-medical home care company.
- Who is the household employer going to hire and what will it cost to do a criminal background check on the private caregivers, or verify their references, or evaluate their caregiving skill-levels, or monitor the quality of care they are providing?

This information is provided as a public service for consumers.

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1-888-241-4879
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***Before
You Hire a
Private
Caregiver...***

***You Need To
Know***

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Buyer Beware - Know Your In-Home Care Giver Options

OPTION 1

The safest and most cost effective option is hiring a reputable Non-Medical Home Care Business that employs its caregivers.

That Business would assume responsibility and liability for their caregivers and pay the cost for their:

- background checks,
- workers compensation insurance,
- appropriate state and federal taxes,
- filing of all the necessary tax forms,
- bonding policy against theft,
- professional liability and personal property damage insurance policies.

OPTION 2

A home care or other business will provide you with names of private caregivers for you to hire privately or as independent contractors. Do not be fooled, either way in Option 2, you become their employer.

The home care or other business assumes no responsibility or liability for the caregivers as employees.

OPTION 3

No home care businesses are involved. You are on your own to find an honest, caring and qualified private caregiver or "independent contractor" that you want to be in your home.

With Option 3, when you hire a private caregiver or independent contractor caregiver, you become their employer.



Employer Responsibilities for Private Caregivers



When you employ a private caregiver in your home, the IRS and state taxing authorities classify you as a household employer. If you pay wages of \$1,700 or more in one calendar year, (that's only \$32.69 a week) to any one private caregiver, you are required to report those wages, file tax forms, and pay payroll taxes. (See IRS Pub. 926 Jan. 2009.)

There is a whole set of other tax laws that pertain to independent contractors that must be adhered to.

Unfortunately, people make the mistake of choosing not to fulfill their obligations as a household employer, and elect to pay their private caregivers "under the table." That means the payment of wages by cash, check, or other compensation, with the intent of avoiding the payment of payroll taxes. **This form of payment is illegal.**

Getting caught illegally paying a private caregiver, or anyone else, "under the table" is tax fraud and could result in charges of perjury or even tax evasion, not to mention paying the back taxes, huge monetary penalties and interest.



Issues to Consider for a Household Employer of Private Caregivers

Household employers need to fully understand their legal responsibilities of paying and filing taxes on their private caregivers. These include:

- Withholding of federal income tax.
- Withholding of Social Security, Medicare and FUTA taxes.
- State employment taxes.
- Maintaining required employment forms and ensuring caregivers can legally work in the United States.
- Filing quarterly and annual tax forms with government taxing agencies.
- Making timely tax payments to the government taxing agencies.
- Keep accurate records for audit purposes
A household employer needs to make arrangements for insurance to cover their caregivers in case they get injured or become ill while working. Failure to do so could result in litigation and serious financial loss.

Case Example: A caregiver worked privately for a family:

- Was careless, and slipped and fell in their home while working.
- The caregiver sustained a serious, but not debilitating leg injury.
- The family had not made proper arrangements for insurance.
- The caregiver sued the family and won attorney fees, medical expenses, lost wages and long term disability.
- The family had to pay these enormous sums out-of-pocket and ended up filing bankruptcy.