



Department of the Treasury  
Internal Revenue Service

# 1995 Instructions for Household Employers

**Note:** *This booklet does not contain any tax forms.*

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## Section 1—Before You Begin

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**Note:** Form 1040-T, referred to in these instructions, is a new form sent to certain individuals on a test basis.

### What's New for 1995?

**New Reporting and Payment Rules.** Use new **Schedule H (Form 1040)** to report Federal employment taxes on cash wages paid in 1995 to household employees. (Use one Schedule H for all of your household employees.) There are new lines on the 1995 Form 1040, 1040A, etc., to enter these taxes. Federal employment taxes are social security, Medicare, withheld Federal income, and Federal unemployment (FUTA) taxes.

**Do not** use Schedule H if you chose to report employment taxes for your household employees along with your other employees on **Form 941**, Employer's Quarterly Federal Tax Return, or **Form 943**, Employer's Annual Tax Return for Agricultural Employees. Be sure to include your household employees on your **Form 940** (or **940-EZ**), Employer's Annual Federal Unemployment (FUTA) Tax Return.

 **TIP** If you paid 1995 employment taxes using Form 942 and the IRS notified you the payment was applied to your 1995 income tax account, report the amount applied on the 1995 estimated tax payment line of your Form 1040, 1040A, etc. Also, enter "942" and the amount applied next to that line.

**Household Employees Under Age 18.** Usually, social security and Medicare taxes do not apply to wages paid to a household employee who was under age 18 at any time during 1995. See the instructions for line A on page 3. This rule doesn't apply to FUTA tax.

**1995 Limit on Wages Subject to Social Security Tax.** The maximum amount of wages subject to social security tax for 1995 is \$61,200. This limit applies separately to each employee.

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## Who Is a Household Employee?

Any person who does household work is a household employee if you can control what will be done and how it will be done. It doesn't matter whether you exercise this control as long as you have the legal right to do so. Usually, you are considered to be an employer if **(1)** you can fire the employee and **(2)** you give the employee tools and a place to work.

Household work is work done in or around your home. Some examples of workers who do household work are:

Babysitters	Housekeepers
Caretakers	Nannies
Cleaning people	Private nurses
Drivers	Yard workers
Health aides	

If a worker is your employee, it doesn't matter whether the work is full or part time or that you hired the worker through an agency or from a list provided by an agency or association. Also, it doesn't matter if the wages paid are for work done hourly, daily, weekly, or by the job.

**Example.** You paid Betty Oak to babysit your child and do light housework 4 days a week in your home. Betty followed your specific instructions about household and child care duties. You provided the household equipment and supplies Betty needed to do her work. Betty is your household employee.

**Workers Who Are Not Your Employees.** Workers you get from an agency are not your employees if the agency is responsible for who does the work and how it is done. Self-employed workers are also not your employees. A worker is self-employed if only he or she can control how the work is done. A self-employed worker usually provides his or her own tools and offers services to the general public in an independent business.

**Example.** You paid Paul Brown to care for your lawn. Paul also offered lawn care services to other homeowners in your neighborhood. He provided his own tools and supplies. Paul also hired and paid any helpers he needed. Neither Paul nor his helpers are your household employees.

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## What About State Employment Taxes?

If you employed a household employee in 1995, you probably have to pay contributions to your state unemployment fund for 1995. To find out if you do, contact your state unemployment tax agency right away. You should also find out if you need to pay or collect other state employment taxes or carry workers' compensation insurance.

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## Other Forms You May Need

**Form W-2**, Wage and Tax Statement, and **Form W-3**, Transmittal of Wage and Tax Statements. See page 5. **Form I-9**, Employment Eligibility Verification. See page 3. **Form SS-4**, Application for Employer Identification Number. See page 3.

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## Important Dates

By **January 31, 1996**, you must give Form W-2 to your employees.

By **February 29, 1996**, you must send Copy A of Form W-2 to the Social Security Administration.

By **April 15, 1996**, you must file Schedule H with your 1995 tax return. But see **When and Where To File** on page 3

if you received an extension of time to file your return or your return is for a fiscal year.

## Can Your Employee Legally Work in the United States? (Form I-9)

It is unlawful to employ an alien who cannot legally work in the United States. When you hire a household employee to work for you on a regular basis, both you and the employee must complete part of the Immigration and Naturalization Service (INS) **Form I-9**, Employment Eligibility Verification. You must verify that the employee is either a U.S. citizen or an alien who can legally work and you must keep Form I-9 for your records. You can get the form and the INS Handbook for Employers by calling 1-800-755-0777.

## Do You Have An Employer Identification Number (EIN)? (Form SS-4)

If you don't have an EIN, get **Form SS-4**, Application for Employer Identification Number. The instructions explain how you can get an EIN immediately over the telephone or in about 4 weeks if you apply by mail. See page 8 for details on how to get Form SS-4.

## Section 2—Schedule H (Form 1040)

### Who Must File

You must file Schedule H if you answer “**Yes**” to any of the questions on **lines A, B, or C**. But you need to understand the following terms to answer the questions.

**Cash Wages.** Cash wages include wages paid by checks, money orders, etc. Cash wages do not include the value of food, lodging, clothing, and other noncash items you gave your household employee. However, cash given to your employee in place of these items is included in cash wages.

If you reimbursed your employee for his or her expenses to commute to your home by public transportation (bus, train, etc.), do not include the reimbursement as cash wages. However, if you reimbursed the employee more than \$60 a month, include the amount over \$60 as wages.

**Calendar Quarter.** A calendar quarter is January through March, April through June, July through September, or October through December.

### When and Where To File

**If you are required to file a 1995 tax return** (Form 1040, 1040A, 1040NR, 1040NR-EZ, 1040-SS, 1040-T, or 1041), attach Schedule H to your return. File your return by **April 15, 1996**, or the extended due date if applicable. (Fiscal year filers, file your return by the due date, including extensions.) Mail your return to the address shown in your tax return booklet. **Do not** use the addresses shown on this page.

**If you are not required to file a 1995 tax return** (for example, because your income is below the dollar limit), you must file Schedule H by **April 15, 1996**. Complete Schedule H including Part IV (address and signature). Put Schedule H in an envelope with your check or money order made payable to the “Internal Revenue Service” for the total household employment taxes due. Do not send cash. Enter your name, address, social security number, daytime phone number, and “1995 Schedule H” on your payment. Mail Schedule H and your payment to the **Internal Revenue Service Center** for the place where you live. No street address is needed.

### If you live in:

Florida, Georgia, South Carolina

New Jersey, New York (New York City and counties of Nassau, Rockland, Suffolk, and Westchester)

New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

Illinois, Iowa, Minnesota, Missouri, Wisconsin

Delaware, District of Columbia, Maryland, Pennsylvania, Virginia

Indiana, Kentucky, Michigan, Ohio, West Virginia

Kansas, New Mexico, Oklahoma, Texas

Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming

California (all other counties), Hawaii

Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Tennessee

American Samoa, Guam, Puerto Rico, U.S. Virgin Islands, Foreign country, all APO and FPO addresses

### Use this address:

Atlanta, GA 39901-0007

Holtsville, NY 00501-0007

Andover, MA 05501-0007

Kansas City, MO  
64999-0007

Philadelphia, PA 19255-0007

Cincinnati, OH 45999-0007

Austin, TX 73301-0007

Ogden, UT 84201-0007

Fresno, CA 93888-0007

Memphis, TN 37501-0007

Philadelphia, PA 19255-0007

## How To Fill in Schedule H

**Social Security Number.** Enter your social security number. (**Form 1041 filers**, don't enter a number in this space. But be sure to enter your EIN in the space provided.)

**Employer Identification Number (EIN).** An EIN is a nine digit number assigned by the IRS. The digits are arranged as follows: 00-0000000. If you have an EIN, enter it in the space provided. If you do not have an EIN, see this page. If you applied for an EIN but have not received it, enter “Applied for.” **Do not** enter your social security number as an EIN.

**Only Eight Lines for Most People.** You only have to complete lines A, 1 through 4, 6, 8, and 9 if:

1. You paid a household employee at least \$1,000 in 1995, and
2. You didn't withhold Federal income tax or make advance earned income credit payments to any household employee in 1995, and
3. You paid total cash wages of less than \$1,000 in each calendar quarter of 1994 and 1995 to household employees.

### Line A

To figure the total cash wages you paid in 1995 to **each** household employee, **do not** count amounts paid to any of the following individuals.

- Your spouse.
- Your child who was under age 21.
- Your parent. But see **Exception for Parents** on page 4.
- Your employee who was under age 18 at any time during 1995. If the employee was not a student, see **Exception for Employees Under Age 18** on page 4.

**Exception for Parents.** To figure the total cash wages you paid in 1995 to each household employee, **count** the cash wages you paid your parent for work in or around your home if **both 1 and 2** below apply.

1. Your child who lived with you was under age 18 **or** had a physical or mental condition that required the personal care of an adult for at least 4 continuous weeks in a calendar quarter.

2. You were divorced and not remarried, a widow or widower, or married to and living with a person whose physical or mental condition prevented him or her from caring for the child during that 4-week period.

**Exception for Employees Under Age 18.** To figure the total cash wages you paid in 1995 to each household employee, **count** the cash wages you paid to a person who was under age 18 and not a student if providing household services was his or her principal occupation.

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## Part I. Social Security, Medicare, and Income Taxes

Social security and Medicare taxes pay for benefits that workers and their families receive under the Federal Insurance Contributions Act (FICA). Social security tax pays for benefits under the old-age, survivors, and disability insurance part of FICA. Medicare tax pays for benefits under the hospital insurance part.

Both you and your employee pay social security and Medicare taxes. The combined social security tax rate is 12.4% (6.2% your share plus 6.2% employee share) of your employee's wages subject to the tax. The combined Medicare tax rate is 2.9% (1.45% your share plus 1.45% employee share) of your employee's wages subject to the tax. If you did not deduct the employee's share of these taxes from his or her wages, you must pay the employee's share in addition to your share.

### Lines 1 and 3

Enter on lines 1 and 3 the total cash wages (defined on page 3) paid in 1995 to each household employee who meets the \$1,000 test. However, if you paid any household employee cash wages of more than \$61,200 in 1995, include on line 1 only the first \$61,200 of that employee's cash wages. On line 3, include that employee's total cash wages.

**\$1,000 Test.** Any household employee to whom you paid cash wages of \$1,000 or more in 1995 meets this test. The test applies to cash wages paid in 1995 regardless of when the wages were earned.

To figure the total cash wages you paid in 1995 to each household employee, **do not** count amounts paid to any of the following individuals.

- Your spouse.
- Your child who was under age 21.
- Your parent. But see **Exception for Parents** on this page.
- Your employee who was under age 18 at any time during 1995. If the employee was not a student, see **Exception for Employees Under Age 18** on this page.

### Lines 5 and 7

Enter on line 5 any Federal income tax you withheld from the wages you paid your household employees in 1995. On line 7, enter any advance EIC payments you made to your household employees in 1995.

## Line 9

Add the cash wages you paid to all your household employees in each calendar quarter of 1995. If the total for each quarter in 1995 is less than \$1,000, add the cash wages you paid to all your household employees in each calendar quarter of 1994. Is the total for any quarter in 1995 or 1994 \$1,000 or more?

- Yes.** You owe FUTA tax on part or all of the cash wages you paid in 1995 to each household employee. Complete Part II of Schedule H.
- No.** Follow the instructions below that apply to you.

**Form 1040, Form 1040A, and Form 1040-T Filers.** Enter the amount from Schedule H, line 8, on Form 1040, line 53; Form 1040A, line 27; or Form 1040-T, line 30. File Schedule H with your return.

**Form 1040NR, Form 1040NR-EZ, and Form 1040-SS Filers.** Enter the amount from Schedule H, line 8, on Form 1040NR, line 51; Form 1040NR-EZ, line 16; or Form 1040-SS, line 13. File Schedule H with your return.

**Form 1041 Filers.** Enter the amount from Schedule H, line 8, on Schedule G (Form 1041), line 7. File Schedule H with your return.

**All Other Filers.** Complete Part IV of Schedule H. Then, follow the instructions under **When and Where To File** on page 3.

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## Part II. Federal Unemployment (FUTA) Tax

FUTA tax, with state unemployment systems, provides for payments of unemployment compensation to workers who have lost their jobs. Most employers pay both a Federal and state unemployment tax.

The FUTA tax rate is 6.2% of your employee's wages subject to the tax. But see **Credit for Contributions Paid to State** on this page. **Do not** deduct the FUTA tax from your employee's wages. You must pay it from your own funds.

**Credit for Contributions Paid to State.** You may be able to take a credit of up to 5.4% against the FUTA tax, resulting in a net tax rate of 0.8%. But to do so, you must pay all the required contributions for 1995 to your state unemployment fund by April 15, 1996. Fiscal year filers must pay all required contributions for 1995 by the due date of their return (not including extensions).

**Contributions** are payments that a state requires you, as an employer, to make to its unemployment fund for the payment of unemployment benefits. However, contributions do not include:

- Any payment deducted or deductible from your employees' pay,
- Penalties, interest, or special administrative taxes not included in the contribution rate the state gave you, and
- Voluntary contributions you paid to get a lower experience rate.

### Lines 10 Through 12

Answer the questions on lines 10 through 12 to see if you should complete Section A or Section B of Part II.

**Fiscal Year Filers.** If you paid all state unemployment contributions for 1995 by the due date of your return (not including extensions), check the "Yes" box on line 11. Otherwise, check the "No" box.

### Line 13

Enter the two-letter abbreviation of the name of the state (including the District of Columbia, Puerto Rico, and the U.S. Virgin Islands) to which you paid unemployment contributions.

### Line 15

Enter the total contributions (defined on page 4) you paid to your state unemployment fund for 1995. If you didn't have to make contributions because your state gave you a 0% experience rate, enter "0% rate" on line 15.

### Line 16

Enter the total cash wages you paid in 1995 to each household employee, including employees paid less than \$1,000. However, **do not** include cash wages paid in 1995 to any of the following individuals.

- Your spouse.
- Your child who was under age 21.
- Your parent.

If you paid any household employee more than \$7,000 in 1995, include on line 16 only the first \$7,000 of that employee's cash wages.

### Line 18

Complete all columns that apply. If you don't, you will not get a credit. If you need more space, attach a statement using the same format as line 18. Your state will provide an experience rate. If you do not know your rate, contact your state unemployment tax agency.

If your state gave you an experience rate of less than 5.4% for all or part of the year, fill in columns (a) through (i). If you were not given an experience rate, fill in only columns (a), (b), (c), and (i). If you were given a rate of 5.4% or higher, fill in only columns (a), (b), (c), (d), (e), and (i). If you were given an experience rate for only part of the year or the rate was changed during the year, complete a separate line for each rate period.

**Column (a).** Enter the two-letter abbreviation of the name of the state (including the District of Columbia, Puerto Rico, and the U.S. Virgin Islands) to which you have to pay unemployment contributions.

**Column (c).** Enter the taxable wages on which you must pay taxes to the unemployment fund of the state shown in column (a). If your experience rate is 0%, enter the amount of wages you would have had to pay taxes on if that rate had not been granted.

**Column (d).** Enter the beginning and ending dates of the experience rate shown in column (e).

**Column (e).** Enter your state experience rate as a percent or a decimal.

**Column (i).** Enter the total contributions (defined earlier) you paid to the state unemployment fund for 1995 by April 15, 1996. Fiscal year filers, enter the total contributions you paid to the state unemployment fund for 1995 by the due date of your return (not including extensions). If you are claiming excess credits as payments of state unemployment contributions, attach a copy of the letter from your state.

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## Part III. Total Household Employment Taxes

### Line 28

If you are not required to file a 1995 Form 1040 or Form 1040A, follow the instructions below that apply to you.

**Form 1040-T Filers.** Enter the amount from Schedule H, line 27, on Form 1040-T, line 30. File Schedule H with your return. **Do not** complete Part IV of Schedule H.

**Form 1040NR, Form 1040NR-EZ, and Form 1040-SS Filers.** Enter the amount from Schedule H, line 27, on Form 1040NR, line 51; Form 1040NR-EZ, line 16; or Form 1040-SS, line 13. File Schedule H with your return. **Do not** complete Part IV of Schedule H.

**Form 1041 Filers.** Enter the amount from Schedule H, line 27, on Schedule G (Form 1041), line 7. File Schedule H with your return. **Do not** complete Part IV of Schedule H.

**All Other Filers.** You must complete Part IV of Schedule H. Then, follow the instructions under **When and Where To File** on page 3.

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## Section 3—Form W-2

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### Who Must File

You must file Form W-2 for each household employee to whom you paid \$1,000 or more of cash wages in 1995 that are subject to social security and Medicare taxes. To find out if the wages are subject to these taxes, see the instructions for Schedule H, lines 1 and 3, on page 4. If you withheld Federal income tax from the wages of any household employee, you must also file Form W-2 for that employee.

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### When and Where To File

By **January 31, 1996**, you must give Copies B, C, and 2 of Form W-2 to each employee. You will meet this requirement if the form is properly addressed, mailed, and postmarked no later than January 31, 1996.

By **February 29, 1996**, send **Copy A** of all Forms W-2 to the Social Security Administration, Data Operations Center, 1150 E. Mountain Dr., Wilkes-Barre, PA 18769-0001. For certified mail, the ZIP code is 18769-0002.

If you are filing more than one Form W-2, you must also file **Form W-3**, Transmittal of Wage and Tax Statements, with the Social Security Administration (SSA). **Be sure you mark the "Hshld." box in box b of Form W-3.**

**Note:** Check with your state, city, or local tax department to find out if you must send them Copy 1 of Form W-2.

**Penalties.** You may have to pay a penalty if you do not give Forms W-2 to your employees or file Copy A of the forms with the SSA. You may also have to pay a penalty if you do not show your employee's social security number on Form W-2 or do not provide correct information on the form.

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## How To Fill in Form W-2

Please type or print the entries, if possible, using black ink. Make all dollar entries without the dollar sign and comma but with the decimal point (0000.00). Show the cents portion of the money amounts.

### Box b

Enter in box b the nine-digit employer identification number (EIN) issued to you by the IRS. If you don't have an EIN, see page 3. If you have applied for an EIN but will not have it by January 31, 1996, enter "Applied for" in box b. **Do not** enter your social security number.

### Boxes d Through f

Enter in box d the employee's social security number exactly as shown on his or her social security card. In box e, enter the employee's name exactly as shown on his or her social security card. In box f, enter the employee's complete mailing address.

### Box 1

Enter the total wages paid. This figure is usually the same as the amounts entered in boxes 3 and 5. But if you paid the employee's share of social security and Medicare taxes, the amount in box 1 will generally be equal to the total of—

- The amount in either box 3 or box 5, plus
- The total of the amounts in boxes 4 and 6.

Any Federal income tax withholding you pay for the employee instead of deducting it from the employee's wages is additional income. You must include the amount you paid in box 1. Also, count it as wages, tips, etc., for social security and Medicare purposes.

### Box 2

If you withheld Federal income tax from the employee's wages, enter that amount in box 2.

### Box 3

Enter the total cash wages paid to the employee that are subject to social security tax. **Do not** enter more than \$61,200 in this box for 1995. Also, **do not** include in box 3 any employee's share of social security taxes you paid.

### Box 4

Enter the total social security tax withheld from the employee (or paid by you for the employee). **Do not** include your share of social security tax.

### Box 5

Enter the total cash wages paid to the employee that are subject to Medicare tax. **Do not** include in box 5 any employee's share of Medicare taxes you paid. There is no limit on the amount of cash wages to enter in box 5.

### Box 6

Enter the total Medicare tax withheld from the employee (or paid by you for the employee). **Do not** include your share of Medicare tax.

### Box 9

Enter the total amount, if any, paid to the employee as advance earned income credit (EIC) payments.

### Box 15

If you had only one household employee in 1995, put an "X" in the "Hshld. emp." box. If you had more than one household employee, leave the "Hshld. emp." box blank and file **Form W-3** with the W-2 forms.

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## Section 4—Example of How To Complete Form W-2 and Schedule H

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Susan Green lives in California. In 1994, Susan had a household employee who worked from October through December. Susan paid the employee \$1,050 during that period.

On **February 20, 1995**, Susan hired Helen Maple (age 24) to clean her house every Wednesday. She gave Helen specific instructions as to what must be done and how it must be done. Susan provided Helen with all of the tools and supplies she needed.

Susan paid Helen \$50 every Wednesday for her day's work. Susan decided not to withhold Helen's share of the social security and Medicare taxes from the wages she paid Helen. Instead, she will pay Helen's share of these taxes from her own funds. Susan did not withhold Federal income tax because Helen did not give her a **Form W-4**, Employee's Withholding Allowance Certificate, to request withholding. Susan also did not pay Helen advance earned income credit payments because Helen did not give her a **Form W-5**, Earned Income Credit Advance Payment Certificate.

Susan also paid contributions to California's unemployment fund. She was given an experience rate of 3.4%.

Helen was employed by Susan for the rest of 1995 (a total of 45 weeks). The following chart shows some of the information Susan will need to complete Form W-2 and Schedule H.

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Total cash wages paid to Helen in 1995 . . . . .	\$2,250.00 (\$50 x 45 weeks)
Helen's share of the social security tax . . . . .	\$139.50 (\$2,250 x 6.2% (.062))
Helen's share of the Medicare tax . . . . .	\$32.63 (\$2,250 x 1.45% (.0145))
Total cash wages paid to Helen in each calendar quarter of 1995:	
1st quarter . . . . .	\$300.00 (\$50 x 6 weeks)
2nd quarter . . . . .	\$650.00 (\$50 x 13 weeks)
3rd quarter . . . . .	\$650.00 (\$50 x 13 weeks)
4th quarter . . . . .	\$650.00 (\$50 x 13 weeks)
Contributions paid to California's unemployment fund . . . . .	\$76.50 (\$2,250 x 3.4% (.034))

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## Form W-2

Susan completes Helen's Form W-2 as follows (the form is shown on page 8). Although not shown, Susan also enters the required state or local income tax information in boxes 16 through 21.

**Boxes b Through f.** Susan enters her employer identification number in box b and her name, address, and ZIP code in box c. She then enters Helen's social security number in box d, Helen's full name in box e, and Helen's address and ZIP code in box f.

**Boxes 1 Through 6.** Susan enters the total cash wages she paid to Helen in 1995, 2250.00, in boxes 3 and 5. Susan did not withhold Federal income tax, so she leaves box 2 blank. She enters the social security tax she is paying for Helen, 139.50, in box 4 and the Medicare tax she is paying for Helen, 32.63, in box 6.

Because Susan paid Helen's share of social security and Medicare taxes, she enters 2422.13 in box 1. This is the total of \$2,250 (box 3 or 5) plus \$139.50 (box 4) plus \$32.63 (box 6). If Susan had withheld Helen's share of the taxes, the amount in box 1 would have been the same as the amounts in boxes 3 and 5.

**Boxes 7 Through 15.** Susan leaves boxes 7 through 14 blank because they do not apply. Because Susan is a household employer filing only one Form W-2, she puts an "X" in the "Hshld. emp." box in box 15.

**Filing Form W-2.** By **January 31, 1996**, Susan gives Helen Copies B, C, and 2 of Form W-2. She keeps Copy D for her records. Susan does not have to send Copy 1 to her state, city, or local tax department. By **February 29, 1996**, Susan sends Copy A to the Social Security Administration. She sends the whole page of Copy A even though she completed only one of the two forms on the page. Form W-3 is not required because Susan is a household employer filing only one Form W-2.

## Schedule H

Susan completes Schedule H as follows (the schedule is shown on pages 9 and 10).

Susan enters her name, social security number, and employer identification number in the spaces provided. Because Susan paid a household employee cash wages of \$1,000 or more in 1995, on line A she checks the "Yes" box. She skips lines B and C and goes to line 1.

**Lines 1 Through 4.** The total cash wages Susan paid to Helen in 1995 are subject to social security and Medicare taxes, so Susan enters \$2,250 on lines 1 and 3. She figures the social security tax, \$279, and enters it on line 2. She figures the Medicare tax, \$65.25, and enters it on line 4.

**Lines 5 Through 8.** Susan did not withhold Federal income tax, so she leaves line 5 blank. On line 6, she enters \$344.25, the total of lines 2, 4, and 5. Susan leaves line 7 blank because she did not make any advance earned income credit (EIC) payments to Helen. On line 8, she enters \$344.25.

**Line 9.** Susan paid total cash wages of less than \$1,000 to household employees in each calendar quarter of 1995. However, because Susan had a household employee in 1994 and she paid that employee cash wages of \$1,050 during the fourth quarter of 1994, she checks the "Yes" box on line 9. She must complete Part II to figure the FUTA tax on Helen's wages.

**Lines 10 Through 12.** Susan checks the "Yes" box on line 10 because she paid unemployment contributions only to California. Susan paid all required unemployment contributions to California for 1995 by April 15, 1996, so she checks the "Yes" box on line 11. The total cash wages Susan paid in 1995 to Helen are taxable for FUTA tax. Because the total wages were also taxable for California's unemployment tax, Susan checks the "Yes" box on line 12.

Susan completes Section A next because she answered "Yes" to the questions on lines 10, 11, and 12.

**Lines 13 Through 15.** Susan enters the two-letter abbreviation for California on line 13 and her state reporting number on line 14. On line 15, Susan enters \$76.50, the total contributions she paid to California for 1995.

**Line 16.** Because the total cash wages Susan paid to Helen are subject to FUTA tax, she enters \$2,250.

**Line 17.** Susan figures the FUTA tax, \$18, and enters it on line 17. She skips Section B and goes to Part III next.

**Lines 26 and 27.** Susan enters the amount from line 8, \$344.25, on line 26. On line 27, she enters \$362.25, the total of lines 17 and 26.

**Line 28.** Susan is filing Form 1040, so she checks the "Yes" box on line 28. She enters the amount from line 27 on Form 1040, line 53, and completes the rest of her return. She **does not** complete Part IV of Schedule H.

**Filing Schedule H.** Susan attaches Schedule H to her Form 1040. She files her Form 1040 by April 15, 1996.

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## Section 5—General Information

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### What's New for 1996?

**1996 Limit on Wages Subject to Social Security Tax.** The maximum amount of wages subject to social security tax for 1996 is \$62,700.

**1996 Employment Tax Rates.** For 1996, the social security tax rate is 6.2% each for employer and employee. The Medicare tax rate is 1.45% each for employer and employee. The maximum FUTA tax rate for 1996 is 6.2% (employer only).

The 1996 Employee Social Security and Medicare Tax Deduction Table is in **Pub. 926**, Household Employer's Tax Guide. The Federal income tax withholding tables are in **Pub. 15**, Employer's Tax Guide.

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### Have You Told Your Employees About the Earned Income Credit (EIC)?

**What Is the EIC?** The EIC is a refundable tax credit for certain workers. Beginning in 1995, a worker who is a nonresident alien for any part of the year **cannot** claim the EIC unless the worker is married to a U.S. citizen or resident and elects to be taxed as a resident for the entire year. For more details, see page 11.

**Which Employees Must I Notify About the EIC?** You must notify your household employee about the EIC if you agreed to withhold Federal income tax from the employee's wages but did not do so because the income tax withholding tables showed that no tax should be withheld.

**Note:** *You are encouraged to notify each employee whose wages for 1995 were less than \$26,673 that he or she may be eligible for the EIC.*

**How and When Must I Notify My Employees?** You must give the employee one of the following:

- The IRS **Form W-2**, which has the required information about the EIC on the back of **Copy C**.
- A substitute Form W-2 with the same EIC information on the back of the employee's copy that is on Copy C of the IRS Form W-2.
- **Notice 797**, Possible Federal Tax Refund Due to the Earned Income Credit (EIC). See page 11.
- Your written statement with the same wording as Notice 797.

If you are required to give Form W-2 and do so on time, no further notice is necessary if the Form W-2 has the required information about the EIC on the back of the employee's copy. If a substitute Form W-2 is given on time but doesn't have the required information, you must notify the employee within 1 week of the date the substitute Form W-2 is given. If Form W-2 is required but isn't given on time, you must give the employee Notice 797 or your written statement by the date Form W-2 is required to be given. If Form W-2 is not required, you must notify the employee by February 7, 1996.

You must hand the notice directly to the employee or send it by First-Class Mail to the employee's last known address.

(Continued)

**How Will My Employees Know if They Can Claim the EIC?**

The 1995 instructions for Forms 1040, 1040A, 1040EZ, and 1040-T and **Pub. 596**, Earned Income Credit, explain in detail who can claim the EIC. Generally, any employee who meets the requirements under **May I Claim the EIC?** on page 11 may be able to claim the EIC for 1995.

**How Do My Employees Claim the EIC?** Eligible employees claim the EIC on their 1995 tax return as explained under **How Do I Claim the EIC?** on page 11. Even employees who had no tax withheld from their pay or owe no tax can claim the EIC and get a refund, but they must file a tax return to do so. For example, if an employee had no tax withheld in 1995 and owes no tax but is eligible for a credit of \$791, he or she must file a 1995 tax return to get the \$791 refund.

**How Do My Employees Get Advance EIC Payments?** Eligible employees who have a qualifying child can get part of the credit with their pay during the year by giving you a completed **Form W-5**, Earned Income Credit Advance Payment Certificate. You **must** include advance EIC payments with wages paid to these employees, but the payments are not wages and are not subject to employment taxes. Generally, the payments are made from withheld income, social security, and Medicare taxes. For details, including tables that show you how to figure the amount to add to the employee's net pay, get **Pub. 15**, Employer's Tax Guide.

**How Can I Prepay 1996 Household Employment Taxes?**

You can either increase the Federal income tax withheld from your 1996 pay or make estimated tax payments to cover the employment taxes. For more details, get **Pub. 505**, Tax Withholding and Estimated Tax.

**How Can I Get Forms and Publications?**

To get the IRS forms and publications mentioned in these instructions, call 1-800-TAX-FORM (1-800-829-3676) or use one of the other sources listed in your income tax return instructions.

**What Records Must I Keep?**

You must keep copies of Schedule H and related Forms W-2, W-3, W-4, and W-5 for at least 4 years after the due date for filing Schedule H or the date the taxes were paid, whichever is later. If you have to file Form W-2, also keep a record of each employee's name and social security number. Each payday, you should record the dates and amounts of:

- Cash and noncash wage payments.
- Any employee social security tax withheld.
- Any employee Medicare tax withheld.
- Any Federal income tax withheld.
- Any advance EIC payments you made.

<b>a</b> Control number	22222	Void <input type="checkbox"/>	<b>For Official Use Only ▶</b> OMB No. 1545-0008				
<b>b</b> Employer's identification number 00-1234567	<b>1</b> Wages, tips, other compensation 2422.13			<b>2</b> Federal income tax withheld			
<b>c</b> Employer's name, address, and ZIP code Susan Green 16 Gray Street Anyplace, CA 92665	<b>3</b> Social security wages 2250.00			<b>4</b> Social security tax withheld 139.50			
	<b>5</b> Medicare wages and tips 2250.00			<b>6</b> Medicare tax withheld 32.63			
	<b>7</b> Social security tips			<b>8</b> Allocated tips			
<b>d</b> Employee's social security number 000-00-4567	<b>9</b> Advance EIC payment		<b>10</b> Dependent care benefits				
<b>e</b> Employee's name (first, middle initial, last) Helen R. Maple  19 Pine Avenue Anycity, CA 92665	<b>11</b> Nonqualified plans		<b>12</b> Benefits included in box 1				
	<b>13</b> See Instrs. for box 13		<b>14</b> Other				
<b>f</b> Employee's address and ZIP code	<b>15</b> Statutory employee <input type="checkbox"/>	Deceased <input type="checkbox"/>	Pension plan <input type="checkbox"/>	Legal rep. <input type="checkbox"/>	Hshld. emp. <input checked="" type="checkbox"/>	Subtotal <input type="checkbox"/>	Deferred compensation <input type="checkbox"/>
<b>16</b> State Employer's state I.D. No.	<b>17</b> State wages, tips, etc.	<b>18</b> State income tax	<b>19</b> Locality name	<b>20</b> Local wages, tips, etc.	<b>21</b> Local income tax		

Cat. No. 10134D

Department of the Treasury—Internal Revenue Service

**Form W-2 Wage and Tax Statement 1995**

**For Paperwork Reduction Act Notice, see separate instructions.**

**SCHEDULE H  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service

**Household Employment Taxes**

(For Social Security, Medicare, Withheld Income, and Federal Unemployment (FUTA) Taxes)

▶ **Attach to Form 1040, 1040A, 1040NR, 1040NR-EZ, 1040-SS, 1040-T, or 1041.**

▶ **See separate instructions.**

OMB No. 1545-0074

**1995**

Attachment  
Sequence No. **44**

Name of employer (as shown on return)

**Social security number**

0 0 0 : 1 1 : 1 1 1 1

**Employer identification number**

0 0 : 1 2 3 4 5 6 7

Susan Green

**A** Did you pay **any one** household employee cash wages of \$1,000 or more in 1995? (If any household employee was your spouse, your child under age 21, your parent, or anyone under age 18, see the line A instructions on page 3 before you answer this question.)

- Yes.** Skip questions B and C and go to Part I.
- No.** Go to question B.

**B** Did you withhold Federal income tax during 1995 for any household employee?

- Yes.** Skip question C and go to Part I.
- No.** Go to question C.

**C** Did you pay **total** cash wages of \$1,000 or more in **any** calendar **quarter** of 1994 or 1995 to household employees? (**Do not** count cash wages paid in 1994 or 1995 to your spouse, your child under age 21, or your parent.)

- No. Stop.** Do not file this schedule.
- Yes.** Skip Part I and go to Part II on the back.

**Part I Social Security, Medicare, and Income Taxes**

1	Total cash wages subject to social security taxes (see page 4) . . . . .	1	2, 2 5 0	0 0		
2	Social security taxes. Multiply line 1 by 12.4% (.124) . . . . .	2			2 7 9	0 0
3	Total cash wages subject to Medicare taxes (see page 4) . . . . .	3	2, 2 5 0	0 0		
4	Medicare taxes. Multiply line 3 by 2.9% (.029) . . . . .	4			6 5	2 5
5	Federal income tax withheld, if any . . . . .	5				
6	Add lines 2, 4, and 5 . . . . .	6			3 4 4	2 5
7	Advance earned income credit (EIC) payments, if any . . . . .	7				
8	<b>Total social security, Medicare, and income taxes.</b> Subtract line 7 from line 6 . . . . .	8			3 4 4	2 5

**9** Did you pay **total** cash wages of \$1,000 or more in **any** calendar **quarter** of 1994 or 1995 to household employees? (**Do not** count cash wages paid in 1994 or 1995 to your spouse, your child under age 21, or your parent.)

- No. Stop.** Take the amount from line 8 above and enter it on Form 1040, line 53, or Form 1040A, line 27. If you are not required to file Form 1040 or 1040A, see the line 9 instructions on page 4.
- Yes.** Go to Part II on the back.

**Part II Federal Unemployment (FUTA) Tax**

	Yes	No
10 Did you pay unemployment contributions to only one state? . . . . .	✓	
11 Did you pay all state unemployment contributions for 1995 by April 15, 1996? Fiscal year filers, see page 4. . . . .	✓	
12 Were all wages that are taxable for FUTA tax also taxable for your state's unemployment tax? . . . . .	✓	

**Next:** If you answered "Yes" to **all** of the questions above, complete Section A.  
 If you answered "No" to **any** of the questions above, skip Section A and complete Section B.

**Section A**

13 Name of the state where you paid unemployment contributions ▶	CA		
14 State reporting number as shown on state unemployment tax return ▶	000-0000-1		
15 Contributions paid to your state unemployment fund (see page 5) .	15	7 6	5 0
16 Total cash wages subject to FUTA tax (see page 5) . . . . .	16	2, 2 5 0	0 0
17 <b>FUTA tax.</b> Multiply line 16 by .008. Enter the result here, skip Section B, and go to Part III . . . . .	17	1 8 0 0	

**Section B**

18 Complete all columns below that apply (if you need more space, see page 5):

(a) Name of state	(b) State reporting number as shown on state unemployment tax return	(c) Taxable wages (as defined in state act)	(d) State experience rate period		(e) State experience rate	(f) Multiply col. (c) by .054	(g) Multiply col. (c) by col. (e)	(h) Subtract col. (g) from col. (f). If zero or less, enter -0-.	(i) Contributions paid to state unemployment fund
			From	To					
19 Totals . . . . .							19		
20 Add columns (h) and (i) of line 19 . . . . .					20				
21 Total cash wages subject to FUTA tax (see the line 16 instructions on page 5) . . . . .							21		
22 Multiply line 21 by 6.2% (.062) . . . . .							22		
23 Multiply line 21 by 5.4% (.054) . . . . .					23				
24 Enter the <b>smaller</b> of line 20 or line 23 . . . . .							24		
25 <b>FUTA tax.</b> Subtract line 24 from line 22. Enter the result here and go to Part III . . . . .							25		

**Part III Total Household Employment Taxes**

26 Enter the amount from line 8 . . . . .	26	3 4 4	2 5
27 Add line 17 (or line 25) and line 26 . . . . .	27	3 6 2	2 5
28 Are you required to file Form 1040 or 1040A? <input checked="" type="checkbox"/> <b>Yes.</b> Stop. Take the amount from line 27 above and enter it on Form 1040, line 53, or Form 1040A, line 27. Do not complete Part IV below. <input type="checkbox"/> <b>No.</b> You may have to complete Part IV. See page 5 for details.			

**Part IV Address and Signature—Complete this part only if required. See the line 28 instructions on page 5.**

Address (number and street) or P.O. box if mail is not delivered to street address	Apt., room, or suite no.
City, town or post office, state, and ZIP code	

Under penalties of perjury, I declare that I have examined this schedule, including accompanying statements, and to the best of my knowledge and belief, it is true, correct, and complete. No part of any payment made to a state unemployment fund claimed as a credit was, or is to be, deducted from the payments to employees.

Employer's signature \_\_\_\_\_ Date \_\_\_\_\_



## Notice 797

(Rev. October 1995)

### Possible Federal Tax Refund Due to the Earned Income Credit (EIC)

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Form 1040-T is a new form sent to certain individuals on a test basis.

#### What Is the EIC?

The EIC is a refundable tax credit for certain workers. For 1995, the EIC can be as much as \$2,094 if you have one qualifying child; \$3,110 if you have more than one qualifying child; \$314 if you don't have a qualifying child.

**Who is a qualifying child?** Any child who meets **all three** of the following conditions is a **qualifying child**.

1. The child is your son, daughter, adopted child, stepchild, foster child, or a descendant (for example, your grandchild) of your son, daughter, or adopted child. A child who is married at the end of 1995 generally must be claimed as your dependent to be a qualifying child.
2. The child was under age 19 at the end of 1995, or under age 24 at the end of 1995 and a full-time student, or any age at the end of 1995 and permanently and totally disabled.
3. The child lived with you in the United States for over half of 1995 (for all of 1995 if a foster child). If the child didn't live with you for the required time because the child was born or died in 1995, the child is considered to have lived with you for all of 1995 if your home was the child's home for the entire time he or she was alive in 1995.

**Changes to note.** Beginning in 1995, if you are in the military on extended active duty outside the United States, your home is considered to be in the United States during that duty period and you may be able to claim the EIC. If you are a nonresident alien for any part of the year, you **cannot** claim the EIC unless you are married to a U.S. citizen or resident and elect to be taxed as a resident for the entire year.

#### May I Claim the EIC?

You may be able to claim the EIC for 1995 if you worked and **all three** of the following apply. But you

**cannot** claim the EIC if you file either **Form 2555** or **Form 2555-EZ** (relating to foreign earned income).

1. Your 1995 earned income and adjusted gross income are both under \$24,396 if you have one qualifying child; under \$26,673 if you have more than one qualifying child; under \$9,230 if you don't have a qualifying child.

**Note: Earned income** for this purpose does not include amounts inmates in penal institutions are paid for their work. **Adjusted gross income** generally is the total of your wages, interest, dividends, alimony received, and certain other income minus the total of your allowable deductions for contributions to an IRA, alimony paid, and certain other deductions.

2. Your filing status is any status **except** married filing a separate return.

3. You were not a qualifying child of another person.

If you **do not** have a qualifying child, you must also meet these conditions.

- You (or your spouse if filing a joint return) were at least age 25 but under age 65 at the end of 1995.
- Your parents (or someone else) cannot claim you as a dependent on their 1995 tax return.
- Your home was in the United States for over half of 1995.

**More information?** See the 1995 instructions for Form 1040, 1040A, 1040EZ, or 1040-T and **Pub. 596**, Earned Income Credit. You can get these items (except the Form 1040-T instructions) from IRS offices or by calling 1-800-829-3676.

#### How Do I Claim the EIC?

If you are eligible, claim the EIC on your 1995 tax return. Use the worksheet in your instruction booklet to figure the EIC. If you have a qualifying child, you must fill in **Schedule EIC** and attach it to your return. (Form 1040-T filers must fill in and attach **Section E**.) You must show the child's social security number on Schedule EIC (or Section E of Form 1040-T) unless the child was born after October 31, 1995.

If eligible, you can claim the EIC to get a refund even if you have no tax withheld from your pay or owe no tax. For example, if you had no tax withheld in 1995 and owe no tax but are eligible for a credit of \$791, you **must file a 1995 return** to get the \$791 refund.

**EIC with your pay.** If you have a qualifying child and are eligible to claim the EIC in 1996, you may be able to get part of it in advance with your pay. For details, get **Form W-5**, Earned Income Credit Advance Payment Certificate, from your employer or by calling 1-800-829-3676. If you get the EIC with your pay, you must file a 1996 tax return.

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#### Notice 797

(Rev. 10-95)



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