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If you have any comments on this draft form, you can submit them to us on our web site. Include the word DRAFT in your response. You may make comments anonymously, or you may include your name and e-mail address or phone number. We will be unable to respond to all comments due to the high volume we receive. However, we will carefully consider each suggestion. So that we can properly consider your comments, please send them to us within 30 days from the date the draft was posted.

**SCHEDULE H  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

**Household Employment Taxes**

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

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

▶ **See separate instructions.**

OMB No. 1545-1971

**2006**

Attachment  
Sequence No. **44**

Name of employer

Social security number

Employer identification number

- A** Did you pay **any one** household employee cash wages of \$1,500 or more in 2006? (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 H-3 before you answer this question.)
- Yes.** Skip lines B and C and go to line 1.  
 **No.** Go to line B.
- B** Did you withhold federal income tax during 2006 for any household employee?
- Yes.** Skip line C and go to line 5.  
 **No.** Go to line C.
- C** Did you pay **total** cash wages of \$1,000 or more in **any** calendar **quarter** of 2005 or 2006 to **all** household employees? (**Do not** count cash wages paid in 2005 or 2006 to your spouse, your child under age 21, or your parent.)
- No. Stop.** Do not file this schedule.  
 **Yes.** Skip lines 1-9 and go to line 10 on the back. (Calendar year taxpayers having no household employees in 2006 **do not** have to complete this form for 2006.)

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

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

- 9** Did you pay **total** cash wages of \$1,000 or more in **any** calendar **quarter** of 2005 or 2006 to household employees? (**Do not** count cash wages paid in 2005 or 2006 to your spouse, your child under age 21, or your parent.)
- No. Stop.** Enter the amount from line 8 above on Form 1040, line 62. If you are not required to file Form 1040, see the line 9 instructions on page H-4.
- Yes.** Go to line 10 on the back.

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

<b>10</b>	Are you required to pay unemployment contributions to only one state? (If you paid contributions to XXXXXXXX State, check "No.")	<b>Yes</b>	<b>No</b>
<b>11</b>	Did you pay all state unemployment contributions for 2006 by April 16, 2007? Fiscal year filers, see page H-4		
<b>12</b>	Were all wages that are taxable for FUTA tax also taxable for your state's unemployment tax?		

**Next:** If you checked the "Yes" box on **all** the lines above, complete Section A.  
If you checked the "No" box on **any** of the lines above, skip Section A and complete Section B.

**Section A**

<b>13</b>	Name of the state where you paid unemployment contributions	
<b>14</b>	State reporting number as shown on state unemployment tax return	
<b>15</b>	Contributions paid to your state unemployment fund (see page H-4)	
<b>16</b>	Total cash wages subject to FUTA tax (see page H-4)	
<b>17</b>	<b>FUTA tax.</b> Multiply line 16 by .008. Enter the result here, skip Section B, and go to line 26	

**Section B**

**18** Complete all columns below that apply (if you need more space, see page H-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					

<b>19</b>	Totals		<b>19</b>
<b>20</b>	Add columns (h) and (i) of line 19		<b>20</b>
<b>21</b>	Total cash wages subject to FUTA tax (see the line 16 instructions on page H-4)		<b>21</b>
<b>22</b>	Multiply line 21 by 6.2% (.062)		<b>22</b>
<b>23</b>	Multiply line 21 by 5.4% (.054)		<b>23</b>
<b>24</b>	Enter the <b>smaller</b> of line 20 or line 23 (XXXXXX State employers must use the worksheet in the separate instructions and check here) <input type="checkbox"/>		<b>24</b>
<b>25</b>	<b>FUTA tax.</b> Subtract line 24 from line 22. Enter the result here and go to line 26		<b>25</b>

**Part III Total Household Employment Taxes**

<b>26</b>	Enter the amount from line 8. If you checked the "Yes" box on line C of page 1, enter -0-	<b>26</b>
<b>27</b>	Add line 17 (or line 25) and line 26	<b>27</b>
<b>28</b>	Are you required to file Form 1040? <input type="checkbox"/> <b>Yes. Stop.</b> Enter the amount from line 27 above on Form 1040, line 62. <b>Do not</b> complete Part IV below. <input type="checkbox"/> <b>No.</b> You may have to complete Part IV. See page H-5 for details.	

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



# 2005 Instructions for Schedule H (Form 1040) Household Employment Taxes

## Household Employers

### Here is the information you need to fill in:

- Schedule H for figuring your household employment taxes.
- Form W-2 for reporting wages paid to your employees.
- Form W-3 for sending Copy A of Form W-2 to the Social Security Administration.

**No household employees in 2005?** If you did not have any household employees in 2005, you do not have to file Schedule H (Form 1040) for 2005.

**New York State employer?** If yes, you must use the worksheet on page H-5.

### We have been asked:

**What do I do after I fill in Schedule H?** Enter the taxes from Schedule H on the “Household employment taxes” line of your Form 1040, 1040NR, 1040-SS, or 1041. You do this because these taxes are added to your income taxes.

**How do I file Schedule H?** File Schedule H with your Form 1040, 1040NR, 1040-SS, or 1041. If you are not filing a 2005 tax return, file Schedule H by itself.

**Do I make a separate payment?** No. You pay all the taxes to the United States Treasury, even the social security taxes.

**When do I pay?** Most filers must pay by April 17, 2006.

**How many copies of Form W-3 do I send to the Social Security Administration (SSA)?** Send one copy of Form W-3 with Copy A of Form(s) W-2 to the SSA, and keep one copy of Form W-3 for your records.

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## Important Dates!

By . . . . .	You must . . . . .
January 31, 2006	Give your employee Form W-2.
February 28, 2006 (March 31, 2006 if you file electronically)	Send Copy A of Form W-2 with Form W-3 to the Social Security Administration.
April 17, 2006 (see page H-3 for exceptions)	File Schedule H and pay your household employment taxes with your 2005 tax return.

## The Basics

### Reminder

If you must file a 2005 Form W-2, Wage and Tax Statement, for any household employee, you must also send Form W-3, Transmittal of Wage and Tax Statement, with Copy A of Form(s) W-2 to the Social Security Administration.

### Who Needs To File Schedule H?

You must file Schedule H (Form 1040) if you answer “Yes” to any of the questions on lines A, B, or C.

**Only 8 lines for most people.** Depending on your answers, you may find that you only have to complete lines A, 1 through 4, 6, 8, and 9.

**Did you have a household employee?** If you hired someone to do household work and you were able to control what work he or she did and how he or she did it, you had a household employee. This is true even if you gave the employee freedom of action. What matters is that you had the right to control the details of how the work was done.

**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.

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

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

If a worker is your employee, it does not 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

does not matter if the wages paid are for work done hourly, daily, weekly, or by the job.

**Note.** If a government agency files Schedule H for the worker, you do not need to file it.

**Cash wages.** Cash wages include wages paid by checks, money orders, etc. Cash wages do not include the value of food, lodging, clothing, or other noncash items you give a household employee.



*For 2005, you can generally give your employee transportation benefits such as transit passes worth up to \$105 per month without the benefits counting as cash wages. However, the value of benefits over \$105 a month is included as wages. See Transportation (Commuting) Benefits in Publication 15-B, Employer’s Tax Guide to Fringe Benefits, for more information.*

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

**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 made an agreement with Paul Brown to care for your lawn. Paul runs a lawn care business and offers his services to the general public. He hires his own helpers and provides his own tools and supplies. Neither Paul nor his helpers are your employees.

For more information, see Publication 926, Household Employer’s Tax Guide.

### Who Needs To File Form W-2 and Form W-3?

You must file Form W-2 for each household employee to whom you paid \$1,400 or more of cash wages in 2005 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 H-4. If the wages are not subject to these taxes but you withheld federal income tax from the wages of any household employee, you must file Form W-2 for that employee.

If you file one or more Forms W-2, you must also file Form W-3.

### Do You Have an Employer Identification Number (EIN)?

If you do not have an EIN, see Form SS-4, Application for Employer Identification Number. The instructions explain how you can get an EIN immediately over the internet, by telephone, or in about 4 weeks if you apply by mail. See *How To Get Forms and Publications* on page H-7 for details on how to get forms and

publications including Form SS-4. Do not use a social security number in place of an EIN.

## Can Your Employee Legally Work in the United States?

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, you and the employee must each complete part of the U.S. Citizenship and Immigration Services (USCIS) Form I-9, Employment Eligibility Verification. The Bureau was formerly called the Immigration and Naturalization Service, or INS. 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 USCIS Handbook for Employers by calling 1-800-870-3676, or by visiting the USCIS website at [www.uscis.gov](http://www.uscis.gov).

## What About State Employment Taxes?

If you employed a household employee in 2005, you probably have to pay contributions to your state unemployment fund for 2005. 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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## When and Where To File

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### Schedule H

If you file Forms 1040, 1040NR, 1040-SS, or 1041 for 2005, remember to attach Schedule H to it. Mail your return by April 17, 2006, to the address shown in your tax return booklet.

**Exceptions.** If you get an extension of time to file your return, file it with Schedule H by the extended due date. If you are a fiscal year filer, file your return and Schedule H by the due date of your fiscal year return, including extensions.

**Note.** If you are a calendar year taxpayer and have no household employees for 2005, you do not have to file Form 1040 (Schedule H) for 2005.

If you are not required to file a 2005 tax return (for example, because your income is below the amount that requires you to file), you must file Schedule H by April 17, 2006. Complete Schedule H and put it in an envelope with your check or money order. Do not send cash. See the list of addresses on page H-10. Mail your completed Schedule H and payment to the address listed for the place where you live. Make your check or money order payable to the "United States Treasury" for the total household employment taxes due. Enter your name, address, social security number, daytime phone number, and "2005 Schedule H" on your check or money

order. Household employers that are tax-exempt, such as churches, may file Schedule H by itself.

## Form W-2 and Form W-3

By January 31, 2006, 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, 2006.

By February 28, 2006, (March 31, 2006, if you file electronically) send Copy A of all Forms W-2 with Form W-3 to the Social Security Administration (SSA). Mail Copy A of all Forms W-2 with Form W-3 to:

Social Security Administration  
Data Operations Center  
Wilkes-Barre, PA 18769-0001

For certified mail, the ZIP code is 18769-0002. If you use a carrier other than the U.S. Postal Service, add "ATTN: W-2 Process, 1150 E. Mountain Dr." to the address and change the ZIP code to "18702-7997."

**Note.** Check with your state, city, or local tax department to find out if you must send 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 Schedule H, Form W-2, and Form W-3

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### Schedule H



*If you were notified that your household employee received payments from a state disability plan, see page H-6.*

**Social security number.** Enter your social security number. (Form 1041 filers, do not 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. Enter your EIN in the space provided. If you do not have an EIN, see *Do You Have an Employer Identification Number (EIN)?* earlier. If you applied for an EIN but have not received it, enter "Applied For." Do not use your social security number as an EIN.

**Line A.** To figure the total cash wages you paid in 2005 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. (See *Exception for parents* below.)
- Your employee who was under age 18 at any time during 2005. If the employee was not a student, see *Exception for employees under age 18* below.

**Exception for parents.** 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.** 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.

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

Social security and Medicare taxes pay for retirement, disability, and health benefits for workers and their families. You and your employees pay these taxes in equal amounts.

For social security, the tax rate is 6.2% each for you and your employee. For Medicare, the rate is 1.45% each. If you did not deduct the employee's share from his or her wages, you must pay the employee's share and your share (a total of 12.4% for social security and 2.9% for Medicare). See *Form W-2 and Form W-3* on page H-5 for more information.

**Lines 1 and 3.** Enter on lines 1 and 3 the total cash wages (defined on page H-2) paid in 2005 to each household employee who meets the \$1,400 test, explained later. However, if you paid any household employee cash wages of more than \$90,000 in 2005, include on line 1 only the first \$90,000 of that employee's cash wages. On line 3, include that employee's total cash wages.

**\$1,400 test.** Any household employee to whom you paid cash wages of \$1,400 or more in 2005 meets this test. The test applies to cash wages paid in 2005 regardless of when the wages were earned. To figure the total cash wages you paid in 2005 to each household employee, see the instructions for line A, earlier.

**Lines 5 and 7.** Enter on line 5 any federal income tax you withheld from the wages you paid your household employees in 2005. On line 7, enter any advance EIC payments you made to your household employees in 2005.

**Line 9.** For each calendar quarter of 2004 and 2005, add the cash wages you paid to all your household employees in that quarter. Is the total for any quarter in 2004 or 2005 \$1,000 or more?

**Yes.** Complete Part II of Schedule H.

**No.** Follow the instructions in the chart below.

If you file Form. . .	Then enter the amount from Schedule H, line 8, on. . .
1040	line 62
1040NR	line 57
1040-SS	Part I, line 4
1041	Schedule G, line 6

If you do not file any of the above forms, complete Part IV of Schedule H and follow the instructions under *When and Where To File* on page H-3.

## 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%. But see *Credit for contributions paid to state* below. 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 2005 to your state unemployment fund by April 17, 2006. Fiscal year filers must pay all required contributions for 2005 by the due date of their federal income tax returns (not including extension). If you pay contributions to the State of New York, see the instructions for *Line 24*.

**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 such as FUTA tax deducted or deductible from your employees' pay;
- Penalties, interest, or special administrative taxes not included in the contributions 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 2005 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 (or the District of Columbia, Puerto Rico, or the Virgin Islands) to which you paid unemployment contributions.

**Line 15.** Enter the total contributions (defined earlier) you paid to your state unemployment fund for 2005. If you did not have to make contributions because your state gave you a zero percent experience rate, enter "0% rate" on line 15.

**Line 16.** Enter the total cash wages you paid in 2005 to each household employee, including employees paid less than \$1,000. However, do not include cash wages paid in 2005 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 2005, include on line 16 only the first \$7,000 of that employee's cash wages.

**Line 18.** Complete all columns that apply. If you do not, 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 the experience rate. If you do not know your rate, contact your state unemployment tax agency.

You must complete columns (a), (b), (c), and (i), even if you were not given an experience rate. If you were given an experience rate of 5.4% or higher, you must also complete columns (d) and (e). If you were given a rate of less than 5.4%, you must complete all columns.

If you were given a rate for only part of the year, or the rate changed during the year, you must complete a separate line for each rate period.

**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 zero percent, enter the amount of wages you would have had to pay taxes on if that rate had not been granted.

**Column (i).** Enter the total contributions (defined earlier) you paid to the state unemployment fund for 2005 by April 17, 2006. Fiscal year filers, enter the total contributions you paid to the state unemployment fund for 2005 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.

**Line 24.** Complete the worksheet below **only** if you are a New York State employer.

### Part III. Total Household Employment Taxes

**Line 28.** Follow the instructions in the chart below.

If you file Form. . .	Then do not complete Part IV but enter the amount from Schedule H, line 27, on . . .
1040	line 62
1040NR	line 57
1040-SS	Part I, line 4
1041	Schedule G, line 6

If you do not file any of the above forms, complete Part IV of Schedule H and follow the instructions under *When and Where To File* on page H-3.

### Form W-2 and Form W-3

If you file Form W-2, you must also file Form W-3

You must report both cash and noncash wages in box 1, as well as tips and other compensation. The completed Forms W-2 and W-3 in the example (see page H-9) show how the entries are made.

**Employee’s portion of taxes paid by employer.** If you paid the employee’s share of social security and Medicare taxes, the following rules apply. See pages H-7, H-8, and H-9.

- Enter the amount you paid for the employee in boxes 4 and 6 (do not include your share of these taxes).
- Add the amounts in boxes 4 and 6 to the amount in box 3 (or box 5 if that amount is larger).
- Enter the total in box 1.



On Form W-3, put an “X” in the “Hshld. emp.” box of box b.

### Worksheet for New York State Employers—Line 24

Keep for Your Records



1. Enter the <b>smaller</b> of the amounts from Schedule H, line 20 or 23. . . . .	1.
2. Enter your New York wages from Schedule H, line 21 . . . . .	2.
3. Multiply the amount from line 2 of this worksheet by .006 and enter the result here. . . . .	3.
4. Subtract line 3 of this worksheet from line 1 of this worksheet and enter the result here <b>and</b> on Schedule H, line 24. . . . .	4.



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## You Should Also Know

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### What's New for 2006



*The tax rates mentioned in the instructions for Parts I and II of Schedule H will not change. However, the cash wage threshold that you pay to any one household employee increases to \$1,500 for 2006. The 2006 Employee Social Security and Medicare Tax Withholding Table is in Publication 926, Household Employer's Tax Guide.*

**Limit on Wages Subject to Social Security Tax.** The \$90,000 amount in the instructions for Part I of Schedule H will increase to \$94,200.

### Estimated Tax Penalty

You may need to increase the federal income tax withheld from your pay, pension, annuity, etc. or pay estimated tax payments to avoid an estimated tax penalty based on your household employment taxes shown on line 27 of Schedule H (Form 1040). You may increase your federal income tax withheld by filing a new Form W-4, Employee's Withholding Allowance Certificate, or Form W-4P, Withholding Certificate for Pension or Annuity Payments. Make estimated tax payments by filing Form 1040-ES, Estimated Tax for Individuals. For more information, see Publication 505, Tax Withholding and Estimated Tax.



*Estimated tax payments must be made during the tax year that the tax liability is incurred.*

**Exception.** You will not be penalized for failure to make estimated tax payments if both 1 and 2 below apply for the year.

1. You will not have federal income tax withheld from wages, pensions, or any other payments you receive.
2. Your income taxes, excluding your household employment taxes, would not be enough to require payment of estimated taxes.

### What Records To Keep

You must keep copies of Schedule H and related Forms W-2, W-3, W-4, and W-5, Earned Income Credit Advance Payment Certificate, 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.

## What Is the Earned Income Credit (EIC)?

The EIC is a refundable tax credit for certain workers.

**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 2005 were less than \$35,263 (\$37,263 if married filing jointly) 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 official IRS Form W-2, that has the required information about the EIC on the back of Copy B.
- A substitute Form W-2 with the same EIC information on the back of the employee's copy that is on Copy B of the official IRS Form W-2.
- Notice 797, Possible Federal Tax Refund Due to the Earned Income Credit (EIC).
- Your written statement with the same wording as Notice 797.

If you are not required to give the employee a Form W-2, you must provide the notification by February 7, 2006.

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

**How do my employees claim the EIC?** Eligible employees claim the EIC on their 2005 tax returns.

**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. You must include advance EIC payments with wages paid to these employees. For details, including tables that show you how to figure the amount to add to the employee's net pay, see Publication 15 (Circular E), Employer's Tax Guide.

### Rules For Business Employers

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 Federal Tax Return for Agricultural Employees. If you report this way, be sure to include your household employees' wages on your Form 940 (or Form 940-EZ), Employer's Annual Federal Unemployment (FUTA) Tax Return.

### State Disability Payments

Certain state disability plan payments to household employees are treated as wages subject to social security and Medicare taxes. If your employee received payments from a plan that withheld the employee's share of social security and Medicare taxes, include the

payments on lines 1 and 3 and complete the rest of Part I through line 5. Add lines 2, 4, and 5. From that total, subtract the amount of these taxes withheld by the state. Enter the result on line 6. Also, enter "disability" and the amount subtracted on the dotted line next to line 6. See the notice issued by the state for more details.

## How to Get Forms and Publications

To get the IRS forms and publications mentioned in these instructions (including Notice 797), visit the IRS website at [www.irs.gov](http://www.irs.gov) or call 1-800-TAX-FORM (1-800-829-3676).

## Privacy Act and Paperwork Reduction Act Notice.

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law.

Subtitle C, Employment Taxes, of the Internal Revenue Code imposes employment taxes on wages, including income tax withholding. This form is used to determine the amount of the taxes that you owe. Section 6011 requires you to provide the requested information if the tax is applicable to you. Section 6109 requires you to provide your employer identification number (EIN).

Generally, tax returns and return information are confidential, as required by section 6103. However, section 6103 allows or requires the IRS to disclose or give the information shown on your tax return to others as described in the Code. For example, we may disclose your tax information to the Department of Justice for civil and criminal litigation, and to cities, states, and the District of Columbia for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

**Recordkeeping**, 1hr., 38 min.; **Learning about the law or the form**, 30 min.; **Preparing the form**, 54 min.; **Copying, assembling, and sending the form to the IRS**, 34 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to: Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6406, Washington, DC 20224. Do not send Schedule H (Form 1040) to this address. Instead, see *When and Where to File* on page H-3.

## Completed Example of Schedule H, Form W-2, and Form W-3

On February 14, 2005, Susan Green hired Helen Maple to clean her house every Wednesday. Susan did not have a household employee in 2004.

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 to request withholding and no withholding is otherwise required. Susan also did not pay Helen advance earned income credit payments because Helen did not give her a Form W-5.

Helen was employed by Susan for the rest of the year (a total of 46 weeks). The following is some of the information Susan will need to complete Schedule H, Form W-2, and Form W-3.

Helen's total cash wages . . . . .	\$2,300.00	
		(\$50 x 46 weeks)
Helen's share of the:		
Social security tax . . . . .	\$142.60	(\$2,300 x 6.2% (.062))
Medicare tax . . . . .	\$33.35	(\$2,300 x 1.45% (.0145))
Helen's total cash wages each quarter:		
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 . . . . .	\$700.00	(\$50 x 14 weeks)
Amount included in box 1 of Form W-2 and Form W-3:		
Cash wages . . . . .	\$2,300.00	
Helen's share of social security tax paid by Susan . . . . .	142.60	
Helen's share of Medicare tax paid by Susan . . . . .	33.35	
Total . . . . .	\$2,475.95	

**SCHEDULE H  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

**Household Employment Taxes**

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

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

▶ **See separate instructions.**

OMB No. 1545-0074

**2005**

Attachment  
Sequence No. **44**

Name of employer

*Susan Green*

Social security number

0 0 0 : 1 1 : 1 1 1 1

Employer identification number

0 0 : 1 2 3 4 5 6 7

**A** Did you pay **any one** household employee cash wages of \$1,400 or more in 2005? (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 H-3 before you answer this question.)

**Yes.** Skip lines B and C and go to line 1.

**No.** Go to line B.

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

1	Total cash wages subject to social security taxes (see page H-3)	1	2,300	00		
2	Social security taxes. Multiply line 1 by 12.4% (.124)	2			285	20
3	Total cash wages subject to Medicare taxes (see page H-3)	3	2,300	00		
4	Medicare taxes. Multiply line 3 by 2.9% (.029)	4			66	70
5	Federal income tax withheld, if any	5				
6	<b>Total social security, Medicare, and income taxes</b> (add lines 2, 4, and 5)	6			351	90
7	Advance earned income credit (EIC) payments, if any	7				
8	<b>Net taxes</b> (subtract line 7 from line 6)	8			351	90

**9** Did you pay **total** cash wages of \$1,000 or more in **any** calendar **quarter** of 2004 or 2005 to household employees? (**Do not** count cash wages paid in 2004 or 2005 to your spouse, your child under age 21, or your parent.)

**No. Stop.** Enter the amount from line 8 above on Form 1040, line 62. If you are not required to file Form 1040, see the line 9 instructions on page H-4.

Note: Although not shown, Susan also enters on Form W-2 the required state or local income tax information in boxes 15 through 20.

Visit the SSA website at [www.socialsecurity.gov/employer](http://www.socialsecurity.gov/employer) to file Copy A of Form W-2 electronically.

a Control number <b>22222</b>		Void <input type="checkbox"/>	For Official Use Only ▶ OMB No. 1545-0008			
b Employer identification number (EIN) 00-1234567			1 Wages, tips, other compensation 2475.95	2 Federal income tax withheld		
c Employer's name, address, and ZIP code Susan Green 16 Gray Street Anyplace, CA 92665			3 Social security wages 2300.00	4 Social security tax withheld 142.60		
			5 Medicare wages and tips 2300.00	6 Medicare tax withheld 33.35		
			7 Social security tips	8 Allocated tips		
d Employee's social security number 000-00-4567			9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial Helen R.		Last name Maple	11 Nonqualified plans		12a See instructions for box 12	
f Employee's address and ZIP code 19 Pine Avenue Anycity, CA 92666			13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b		
			14 Other	12c		
				12d		
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

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

**2005**

Department of the Treasury—Internal Revenue Service  
For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

Cat. No. 10134D

a Control number <b>33333</b>		For Official Use Only ▶ OMB No. 1545-0008			
b Kind of Payer ▶	941 <input type="checkbox"/>	Military <input type="checkbox"/>	943 <input type="checkbox"/>	1 Wages, tips, other compensation 2475.95	2 Federal income tax withheld
	CT-1 <input type="checkbox"/>	Hshld. emp. <input checked="" type="checkbox"/>	Medicare govt. emp. <input type="checkbox"/>	3 Social security wages 2300.00	4 Social security tax withheld 142.60
c Total number of Forms W-2 1		d Establishment number		5 Medicare wages and tips 2300.00	6 Medicare tax withheld 33.35
e Employer identification number (EIN) 00-1234567			7 Social security tips	8 Allocated tips	
f Employer's name Susan Green 16 Gray Street Anyplace, CA 92665			9 Advance EIC payments		10 Dependent care benefits
			11 Nonqualified plans		12 Deferred compensation
			13 For third-party sick pay use only		
g Employer's address and ZIP code			14 Income tax withheld by payer of third-party sick pay		
h Other EIN used this year					
15 State	Employer's state ID number	16 State wages, tips, etc.		17 State income tax	
			18 Local wages, tips, etc.		19 Local income tax
Contact person			Telephone number ( 123 ) 456-7890		For Official Use Only
Email address			Fax number ( )		

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature ▶ *Susan Green* Title ▶ Date ▶ 1/29/06

Form **W-3 Transmittal of Wage and Tax Statements** **2005** Department of the Treasury Internal Revenue Service

Note: When you fill in Forms W-2 and W-3, please—

- Type or print entries, if possible, using black ink.
- Enter all money amounts without the dollar sign and comma, but with the decimal point (for example, 2475.95 not \$2,475.95).

- Do not round money amounts—show the cents portion.

## Do You Have To File Form 1040, 1040NR, 1040-SS, or 1041?

**Yes** — Attach Schedule H to that form and mail to the address in your tax return booklet.

**No** — Mail your completed Schedule H and payment to the Internal Revenue Service for the place where you live. No street address is needed. See *When and Where To File* on page H-3 for the information to enter on your payment.

<u>IF you live in...</u>	<u>THEN use this address...</u>	<u>IF you live in...</u>	<u>THEN use this address...</u>
Alabama, Delaware, Florida, Georgia, North Carolina, Rhode Island, South Carolina, Virginia	Atlanta, GA 39901-0002	Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nebraska, Nevada, New Mexico, Oregon, South Dakota, Utah, Washington, Wyoming	Fresno, CA 93888-0002
District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New York, Vermont	Andover, MA 05501-0002	Connecticut, Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, North Dakota, Ohio, Wisconsin	Kansas City, MO 64999-0002
New Jersey, Pennsylvania	Philadelphia, PA 19255-0002	American Samoa, Guam, Puerto Rico, Virgin Islands	Philadelphia, PA 19255-0215
Arkansas, Kansas, Kentucky, Louisiana, Mississippi, Oklahoma, Tennessee, Texas, West Virginia	Austin, TX 73301-0002	Foreign country, all APO and FPO addresses	Austin, TX 73301-0215