

2007 Instructions for Schedule H (Form 1040)

Purpose: This is the first circulated draft of the Instructions for Schedule H (Form 1040). See below for a discussion of the major changes.

TPCC Meeting: None, but one may be arranged if requested.

Prior Version: The 2006 Instructions for Schedule H (Form 1040) is available at: <http://www.irs.gov/pub/irs-pdf/i1040sh.pdf>

Form: The 2007 Schedule H (Form 1040) was circulated earlier at http://taxforms.web.irs.gov/Products/Drafts/2007-2/07F1040schH_d1.pdf

Other Products: Circulations of draft tax forms, instructions, notices, and publications are posted at: http://taxforms.web.irs.gov/Draft_products.html

Comments: Please email, fax, or call with any comments to the TLS shown below by August 31, 2007.

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Major Changes

The U.S. Department of Labor (DOL) informed IRS that there may potentially be 1 credit reduction state for 2007. A final determination will not be made until November 2007. Employers in a credit reduction state pay higher FUTA taxes because they must reduce their maximum state credit.

Page H-1:

- We added a statement specifically for employers in a credit reduction state to direct them to page H-5 of the instructions.

Page H-2:

- Under “Reminder”, we added a statement to encourage electronic filing and a reference to the website for Social Security Administration.
- In column 2, “TIP”, we updated the amount for monthly transit pass benefits to \$110 per Rev. Proc. 2006-53.

Page H-4:

- The references to the limit on wages subject to the social security tax for 2007 were revised to reflect the \$97,500 threshold per Notice 2006-102.

Page H-5:

- We added a worksheet below the instruction for “line 24” to assist employers in a credit reduction state in calculating the reduced amount of FUTA tax credit. Percentage amounts for the reduction will be provided by Chief Counsel.

Page H-6:

- Under “What’s New for 2008”, “TIP”, we added a statement informing employers that the FUTA rate will change from 6.2% to 6.0% effective for calendar years after December 31, 2007. IRC 3301(2). S. 1861 has been introduced in the Senate, and has provisions relating to Federal Unemployment tax.
- We added a new topic to address transportation (commuting) benefits for 2008.
- In the “Caution”, we revised the text for accuracy and inserted the due dates for estimated tax payments.

General:

- Placeholders (“XXXX”) have been used for references that are subject to change before we got to print. These include references to credit reduction states and an increase to wages subject to social security tax for 2007.
- All filing deadlines were updated as appropriate.
- Graphics were updated to reflect current year tax forms or current drafts.
- On page 10, we updated the states’ contact information as provided by DOL.
- Filing addresses listed on page H-11 will be updated to reflect current processing center addresses and state assignments. We will monitor and verify all addresses prior to going to print.



2007 Instructions for Schedule H (Form 1040) Household Employment Taxes

Household Employers

Here is a list of forms you need to complete:

- 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.

For more information, see *What Forms Must I File?* in Pub. 926, Household Employer's Tax Guide.

No household employees in 2007? If you did not have any household employees in 2007, you do not have to file Schedule H (Form 1040) for 2007.

XXXX 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 2007 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 15, 2008.

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, 2008	Give your employee Form W-2.
February 29, 2008 (March 31, 2008, if you file electronically)	Send Copy A of Form W-2 with Form W-3 to the Social Security Administration.
April 15, 2008 (see page H-3 for exceptions)	File Schedule H and pay your household employment taxes with your 2007 tax return.

The Basics

Reminder

If you must file a 2007 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. You are encouraged to file your Forms W-2 and W-3 electronically. Visit the Social Security website at www.socialsecurity.gov/employer/ to learn about electronic filing.

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 2007, you can generally give your employee transportation benefits such as transit passes worth up to \$110 per month without the benefits counting as cash wages. However, the value of benefits over \$110 a month is included as wages. See Transportation (Commuting) Benefits in Pub. 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 Pub. 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 \$1,500 or more of cash wages in 2007 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.

What About State Employment Taxes?

If you employed a household employee in 2007, you probably have to pay contributions to your state unemployment fund for 2007. To find out if you do, contact your state unemployment tax agency right away. See page H-10 for some helpful contact information for each state. You should also find out if you need to pay or collect other state employment taxes or carry workers' compensation insurance.

See the *Appendix* in Pub. 926 for a complete listing of contact information for state unemployment tax agencies.

When and Where To File

Schedule H

If you file Forms 1040, 1040NR, 1040-SS, or 1041 for 2007, remember to attach Schedule H to it. Mail your return by April 15, 2008, 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 2007, you do not have to file Schedule H (Form 1040) for 2007.

If you are not required to file a 2007 tax return (for example, because your income is below the amount that requires you to file), you must file Schedule H by April 15, 2008. Complete Schedule H and put it in an envelope with your check or money order. Do not send cash. See the list of filing addresses on page H-11. 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 "2007 Schedule H" on your check or money order. Household employers that are tax-exempt, such as churches, may also file Schedule H by itself.

Form W-2 and Form W-3

By January 31, 2008, 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, 2008.

By February 29, 2008, (March 31, 2008, 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."

For additional information, visit the website for Social Security at www.socialsecurity.gov/employer/wheretoh.htm.

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

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 by the due dates shown above. 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.

How To Fill In Schedule H, Form W-2, and Form W-3

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 2007 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* on page H-4.)
- Your employee who was under age 18 at any time during 2007. 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. For 2007, the limit on wages subject to social security tax is \$97,500. There is no limit on wages subject to the Medicare tax. 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.

\$1,500 test. Any household employee to whom you paid cash wages of \$1,500 or more in 2007 meets this test. The test applies to cash wages paid in 2007 regardless of when the wages were earned. See Pub. 926 for more information. Or, visit the website for Social Security at www.ssa.gov/pubs/10021.html.

Line 1. Enter on line 1 the total of cash wages (see *Cash wages* on page H-2) paid in 2007 to each household employee who meets the \$1,500 test, explained above.



If you paid any household employee cash wages of more than \$97,500 in 2007, include on line 1 only the first \$97,500 of that employee's cash wages.

Line 2. Multiply the amount on line 1 by 12.4% (.124) and enter the result on line 2.

Line 3. Enter on line 3 the total of cash wages (see *Cash wages* on page H-2) paid to each employee in 2007.

Line 4. Multiply the amount on line 3 by 2.9% (.029) and enter the result on line 4.

Lines 5. Enter on line 5 any federal income tax you withheld from the wages you paid your household employees in 2007.

Line 6. Add lines 2, 4, and 5 and enter the result on line 6.

Line 7. Enter on line 7, any advance EIC payments you made to your household employees in 2007.

Line 8. Subtract the amount on line 7 from the amount on line 6 and enter the result on line 8.

Line 9. Add the cash wages you paid to all your household employees for each calendar quarter of 2006 and 2007. Is the total for any quarter in 2006 or 2007 \$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. See page H-10 for a listing of some helpful contact information for each state.

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 2007 to your state unemployment fund by April 15, 2008. Fiscal year filers must pay all required contributions for 2007 by the due date of their federal income tax returns (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 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 2007 by the due date of your return (not including extensions), check the "Yes" box on line 11. Check the "No" box if you did not pay all of your state contributions by the due date of your return.

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 14. Enter your state reporting number. If you do not have one, contact your state's unemployment tax agency. See the *Appendix* in Pub. 926 for your state's contact information.

Line 15. Enter the total of *contributions* (defined earlier) you paid to your state unemployment fund for 2007. 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 of cash wages (see *Cash wages* on page H-2) you paid in 2007 to each household employee, including employees paid less than \$1,000. However, do not include cash wages paid in 2007 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 2007, include on line 16 only the first \$7,000 of that employee's cash wages.



Complete lines 18 through 25 only if you checked a "No" box on lines 10, 11, or 12.

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. See page H-10 for a listing of some helpful contact information for each state.

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 of contributions (defined earlier) you paid to the state unemployment fund for 2007 by April 15, 2008. Fiscal year filers, enter the total contributions you paid to the state unemployment fund for 2007 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 19. Add the amounts in columns (h) and (i) separately and enter the totals in the spaces provided.

Line 20. Add the amounts shown on line 19 and enter the total on line 20.

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

Line 26. Enter the amount from line 8. If there is no entry on line 8, enter -0-.

Line 27. Add the amounts on lines 17 and 26. (If you were required to complete *Section B*, add the amounts on lines 25 and 26 and enter the total on line 27.)

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 all of your employee's share of social security and Medicare taxes, without deducting them from the employee, follow steps 1 through 3. (See the example on pages H-7, H-8, and H-9.)

1. Enter the amount you paid on your employee's behalf in boxes 4 and 6 (do not include your share of these taxes).
2. Add the amounts in boxes 3, 4, and 6. (However, if box 5 is greater than box 3, then add the amounts in boxes 4, 5, and 6.)
3. Enter the total in box 1.



On Form W-3, put an "X" in the "Hshld. emp." box located in box b, Kind of Payer.

Worksheet for XXXXX State Employers—Line 24

Keep for Your Records



1. Enter the smaller of the amounts from Schedule H, line 20 or 23.	1.
2. Enter your XXXXXX wages from Schedule H, line 21	2.
3. Multiply the amount from line 2 of this worksheet by .xxx and enter the result here.	3.
4. Subtract line 3 of this worksheet from line 1 of this worksheet and enter the result here and on Schedule H, line 24.	4.

You Should Also Know

What's New for 2008



The tax rates mentioned in the instructions for Part I of Schedule H will not change. The FUTA tax rate mentioned in Part II will change from 6.2% to 6.0% effective for calendar years after December 31, 2007. The

cash wage threshold that you pay to any one household employee will be \$X,XXX for 2008. The 2008 Employee Social Security and Medicare Tax Withholding Table is in Pub. 926, Household Employer's Tax Guide.

Limit on wages subject to social security tax. The \$97,500 amount in the instructions for Part I of Schedule H will increase to \$XX,XXX.

Transportation (commuting) benefits. The monthly exclusion for commuter highway vehicle transportation and transit passes increases to \$XXX.

Estimated Tax Penalty

You may need to increase the federal income tax withheld from your pay, pension, annuity, etc. or make 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 Pub. 505, Tax Withholding and Estimated Tax.



Estimated tax payments must be made as the tax liability is incurred: by April 15, June 15, September 15, and the following January 15. If you file your form 1040 by January 31 and pay the rest of the tax that you owe, you do not need to make the payment due on January 15.

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 2007 were less than \$37,783 (\$39,783 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, 2008.

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 2007 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 Pub.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, Form 943, Employer's Annual Federal Tax Return for Agricultural Employees, or Form 944, Employer's ANNUAL Federal Tax Return. If you report this way, be sure to include your household employees' wages on your Form 940, 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 of Schedule H 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 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, 2007, Susan Green hired Helen Maple to clean her house every Wednesday. Susan did not have a household employee in 2006.

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	\$350.00 (\$50 x 7 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)
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. 1545-1971

2007

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 \$1,500 or more in 2007? (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-4)	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-4)	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	Total social security, Medicare, and income taxes (add lines 2, 4, and 5)	6			351	90
7	Advance earned income credit (EIC) payments, if any	7				
8	Net taxes (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 2006 or 2007 to all household employees? (**Do not** count cash wages paid in 2006 or 2007 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 to file Copy A of Form W-2 electronically.

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

2007

Department of the Treasury—Internal Revenue Service

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

For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

Cat. No. 10134D

a Control number 33333		For Official Use Only ▶ OMB No. 1545-0008			
b Kind of Payer 941 <input type="checkbox"/> Military <input type="checkbox"/> 943 <input type="checkbox"/> 944 <input type="checkbox"/> CT-1 <input type="checkbox"/> Hshld. emp. <input type="checkbox"/> Medicare govt. emp. <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	1 Wages, tips, other compensation <i>2475.95</i>		2 Federal income tax withheld		
	3 Social security wages <i>2300.00</i>		4 Social security tax withheld <i>142.60</i>		
c Total number of Forms W-2 <i>1</i>	d Establishment number		5 Medicare wages and tips <i>2300.00</i>	6 Medicare tax withheld <i>33.35</i>	
e Employer identification number (EIN) <i>00-1234567</i>			7 Social security tips	8 Allocated tips	
f Employer's name <i>Susan Green 16 Gray Street Anyplace, CA 92665</i>			9 Advance EIC payments	10 Dependent care benefits	
			11 Nonqualified plans	12 Deferred compensation	
g Employer's address and ZIP code			13 For third-party sick pay use only		
h Other EIN used this year			14 Income tax withheld by payer of third-party sick pay		
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 <i>(123) 456-7890</i>	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 ▶ <i>Susan Green</i>			Title ▶	Date ▶ <i>1/29/08</i>	
Form W-3 Transmittal of Wage and Tax Statements			2007		
			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.

State Unemployment Tax Agencies

See the *Appendix* in Pub. 926, Household Employer's Tax Guide for complete contact information.

State	Telephone	Web Address
Alabama	(334) 242-8830	www.dir.alabama.gov/
Alaska	(800) 448-3527	www.labor.state.ak.us
Arizona	(602) 771-6601	www.de.state.az.us
Arkansas	(501) 682-3798	www.state.ar.us/esd
California	(888) 745-3886	www.edd.cahwnet.gov
Colorado	(800) 480-8299	www.coworkforce.com
Connecticut	(860) 263-6550	www.ctdol.state.ct.us
Delaware	(302) 761-8484	www.delawareworks.com
District of Columbia	(202) 698-7550	www.dcnetworks.org
Florida	(800) 482-8293	http://dor.myflorida.com/dor/uc/
Georgia	(404) 232-3201	www.dol.state.ga.us
Hawaii	(808) 586-8913	www.hawaii.gov/labor/
Idaho	(800) 448-2977	www.labor.state.id.us
Illinois	(800) 247-4984	www.ides.state.il.us
Indiana	(317) 232-7436	www.in.gov/dwd
Iowa	(515) 281-5339	www.iowaworkforce.org
Kansas	(785) 296-5025	www.dol.ks.gov
Kentucky	(502) 564-2272	www.oet.ky.gov
Louisiana	(225) 342-2944	www.l dol.state.la.us
Maine	(207) 287-3176	www.state.me.us/labor
Maryland	(800) 492-5524	www.dllr.state.md.us
Massachusetts	(617) 626-5050	www.detma.org
Michigan	(313) 456-2180	www.michigan.gov/uia
Minnesota	(651) 296-6141	www.uimn.org
Mississippi	(601) 961-7755	www.mdes.ms.gov
Missouri	(573) 751-3340	www.dolir.mo.gov
Montana	(406) 444-3834	www.uid.dli.mt.gov
Nebraska	(402) 471-9935	www.dol.state.ne.us
Nevada	(775) 687-4545	www.detr.state.nv.us
New Hampshire	(603) 228-4033	www.nhes.state.nh.us
New Jersey	(609) 633-6400	www.state.nj.us/labor/
New Mexico	(505) 841-8582	www.dws.state.nm.us/
New York	(518) 457-4179	www.labor.state.ny.us
North Carolina	(919) 733-7396	www.ncesc.com
North Dakota	(800) 472-2952	www.jobsnd.com
Ohio	(614) 466-2319	www.jfs.ohio.gov/ouc
Oklahoma	(405) 557-7170	www.oesc.state.ok.us
Oregon	(503) 947-1488, option 5	www.employment.oregon.gov
Pennsylvania	(717) 787-7679	www.dli.state.pa.us
Puerto Rico	(787) 754-5262	
Rhode Island	(401) 222-3696	www.uitax.ri.gov
South Carolina	(803) 737-3075	www.sces.org/ui
South Dakota	(605) 626-2312	www.state.sd.us
Tennessee	(615) 741-2486	www.tn.gov/labor-wfd/
Texas	(512) 463-2731	www.twc.state.tx.us
Utah	(801) 526-9400	www.jobs.utah.gov/ui
Vermont	(802) 828-4252	www.labor.vermont.gov
Virginia	(804) 371-7159	www.VaEmploy.com
Virgin Islands	(340) 776-3700	www.vidol.gov
Washington	(360) 902-9360	www.wa.gov/esd
West Virginia	(304) 558-2676	www.wvbep.org/bep/uc/
Wisconsin	(608) 261-6700	www.dwd.state.wi.us
Wyoming	(307) 235-3217	http://wydoe.state.wy.us

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 Center 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, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Fresno, CA 93888-0002 Iowa, Kansas, / Oklahoma Wisconsin
District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New York, Vermont	Andover, MA 05501-0002	Arkansas, Connecticut, Illinois, Indiana, Iowa, Michigan, Missouri, New Jersey, Ohio, Wisconsin	Kansas City, MO 64999-0002 Pennsylvania, West Virginia/
Kentucky, Pennsylvania	Philadelphia, PA 19255-0002	American Samoa, nonpermanent residents of Guam or the Virgin Islands**, Puerto Rico, dual-status aliens, a foreign country	Austin, TX 73301-0215 USA
Kentucky / Kansas, Louisiana, Mississippi, Oklahoma, Tennessee, Texas, West Virginia, APO, FPO	Austin, TX 73301-0002		

~~*If you live in Kentucky or Pennsylvania and file your return after June 30, 2007, use: Internal Revenue Service Center, Kansas City, MO 64999-0002.~~

** Permanent residents of Guam should use: Department of Revenue and Taxation, Government of Guam, P.O. Box 23607, GMF, GU 96921; permanent residents of the Virgin Islands should use: V.I. Bureau of Internal Revenue, 9601 Estate Thomas, Charlotte Amalie, St. Thomas, VI 00802.