

# The Benefits of Employing Your Children

By Collin Almeida

The Benefits of Employing Your Children

Collin Almeida  
info@homebusinesstaxsecrets.com

Home Business Tax Secrets <http://www.homebusinesstaxsecrets.com>

The Benefits of Employing Your Children

by Collin Almeida

How many times a week do you hear, "Mom, I need a new pair of shoes!" or "Dad, can I have money to go to a movie?" Not to mention the cost of school supplies, braces, and college tuition that haunt every parent. If you're like the average parent, you probably spend several thousand dollars a year providing for all the needs and wants of your children. But unlike most Americans, if you are a home-based business owner, you can make those thousands work for you.

The IRS allows you to hire your school-age children as part-time employees for your business. Then, you pay them a reasonable salary for their work that is then used to cover all their expenses. And their salary is completely tax deductible. Plus, as employees, their medical expenses can also count as tax deductions.

For example, if you have two children, one age 10 and another age 17, you can officially and legally hire them to work for you. Perhaps the ten year old can clean up your home office or sort mail while the older child could answer phones, handle filing, or type correspondence. No matter what responsibilities you elect for your offspring, make sure to prepare a formal employment agreement between you, as business owner, and your child. Make sure your agreement includes a list of duties, the compensation arrangement, and any special details you want to have in writing. In addition to the official agreement, you can create a job title and description for your new "employee". Not only will this help to audit-proof the deduction, it will also clearly spell out for your child what his or her responsibilities are.

There are some restrictions, however. For instance, the child's yearly income (according to 2001 tax regulations) can be no more than \$4550. Additionally, the pay rate must be comparable to similar services offered by professionals. If you are paying your child for vacuuming or dusting, you should contact cleaning services in your area for a written estimate and base his or her wage accordingly. Also, the child must maintain a record of his or her work. The log must include the date, type of work, time worked, and hourly rate. The last restriction is that the child must be paid what he or she earns. So you will need to open separate checking accounts for the children in which to deposit their salaries. All the expenses then can be covered from that account, including

entertainment, clothes, school expenses, or even a car or college tuition.

The IRS also allows all medical benefits provided by a business to its employees to be claimed as tax deductions, so if your child is your employee and you have to pay for his or her braces that hefty expenses can be completely tax deductible. Even if your child is covered by your spouse's insurance plan, you can claim all co-payments or non-covered medical charges. There are no minimum or maximum levels either: every dollar you pay out can be counted as a tax deduction. However, your policy for covering these expenses must be in writing and copies of all receipts and bills should be maintained for your business records.

Besides the obvious benefits of being able to write-off these costs, hiring your child as an employee can have other positive effects. You will save time because of the additional help your new staff will provide. While they handle the menial duties, you can concentrate on running a successful business and earning more money. And with your children on the staff and on the payroll, they - and your spouse - will be more likely to support your venture. There's also no better way to teach your children the value of money than by having them work for it and get Uncle Sam to pay for it.

-----

Discover little known but highly lucrative tax advantages you can legally claim as a home based business owner by visiting <http://www.homebusinessstaxsecrets.com> Get the FREE REPORT: "5 Hidden Tax Dangers..." that shows you how to save \$1000's in taxes and avoid costly audits.

[Get-Articles.com : 1000's of reprintable business and internet marketing-related articles.](#)

[Submit your article for reprint.](#)