



# Family Help

One of the advantages of operating your own business is hiring family members. However, employment tax requirements for family employees may vary from those that apply to other employees. The following information may assist you with pointing out some differences to consider.

## Child employed by parents

Payments for the services of a child under age 18 who works for his or her parent in a trade or business are not subject to social security and Medicare taxes if the trade or business is a sole proprietorship or a partnership in which each partner is a parent of the child. Refer to the "Covered services of a child" section below. Payments for the services of a child under age 21 who works for his or her parent in a trade or business are not subject to Federal Unemployment Tax Act (FUTA) tax. Payment for the services of a child are subject to income tax withholding, regardless of age.

## Covered services of a child

The wages for the services of a child are subject to income tax withholding as well as social security, Medicare, and FUTA taxes if he or she works for:

- A corporation, even if it is controlled by the child's parent,
- A partnership, even if the child's parent is a partner, unless each partner is a parent of the child, or
- An estate, even if it is the estate of a deceased parent.

## One spouse employed by another

The wages for the services of an individual who works for his or her spouse in a trade or business are subject to income tax withholding and social security and Medicare taxes, but not to FUTA tax. Refer also to [Married Couples in Business](#).

## Covered services of a spouse

The wages for the services of a spouse are subject to income tax withholding as well as social security, Medicare, and FUTA taxes if he or she works for:

- A corporation, even if it is controlled by the individual's spouse, or

## Related Topics

- [Businesses with Employees](#)

- A partnership, even if the individual's spouse is a partner.

## Parent employed by child

The wages for the services of a parent employed by his or her child in a trade or business are subject to income tax withholding and social security and Medicare taxes. Wages paid to a parent employed by his or her child are not subject to FUTA tax, regardless of the type of services provided. For additional employment tax information, refer to [Publication 15, Circular E, Employer's Tax Guide](#), and [Publication 51, Circular A, Agricultural Employer's Tax Guide](#).

If your parent works for you in your business, the wages you pay to him or her are subject to income tax withholding and social security and Medicare taxes. Social security and Medicare taxes do not apply to wages paid to your parent for services not performed in your business, but they do apply to domestic services if all the following apply:

- You employ your parent;
- You have a child or stepchild living in the home;
- You are a widow or widower, divorced, or living with a spouse, who because of a mental or physical condition, can't care for the child or stepchild for at least 4 continuous weeks in a calendar quarter; and
- The child or stepchild is either under age 18 or requires the personal care of an adult for at least 4 continuous weeks in a calendar quarter due to a mental or physical condition.

*Page Last Reviewed or Updated: 16-Jan-2020*