

The Legal Review

Sharing Case Law that Affects the Household Employment Industry

A Complimentary Resource from
Breedlove & Associates

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We usually begin *The Legal Review* by presenting a problematic breach of tax or labor law. In this edition, we'll discuss the valuable role agencies play in preventing these expensive problems for their families – and how our new partnership program makes this educational effort quick, simple, systematic and painless for you and your counselors.

Preventing Legal Problems The Easy Way: “Alert & Steer”

The Law

Families who hire full-time, part-time or temporary workers to work in their home (i.e. nannies, nurses, housekeepers, chefs, etc.) are legally considered household employers. (Although many people want to treat their worker as an independent contractor – some will even insist on its legality – the IRS has declared this practice illegal). As a household employer, families are required to withhold taxes from their employee's pay and remit those taxes – along with paperwork and some employer taxes – to the state and federal tax agencies each quarter. In addition, they are required to prepare and file special paperwork at the end of each tax year.

On top of the tax remittance process, there are a number of local, state and federal labor laws that affect most household employers. These labor laws are neither expensive nor burdensome to families – as long as they are addressed at time of employment. After the fact, they can be devastatingly expensive and time-consuming.

The Opportunity

Most agency owners see the inherent benefits of alerting families to the law during the hiring process:

- Earns goodwill and enhances the agency's professional reputation;
- Adds even more value to the placement process – enabling the agency to further distance itself from discount and less professional competitors;
- Protects the families, candidates and the agency from expensive, time-consuming legal problems.

The Obstacles

For the reasons above, more agencies than ever before are trying to guide their families through the tax and legal aspects of employment. The hard part is finding an easy, effective, time-efficient and liability-free way to do it. First, the volumes of local, state and federal employment and tax laws are excruciatingly complex for just about everyone – including most tax professionals. Even if counselors wanted to be experts in this area, it's unrealistic and impractical for them to attain and maintain this knowledge. Furthermore, dispensing tax and legal advice is a dangerous endeavor and most agency owners understandably don't want the liability.

Second, the tax and labor laws contain dozens of exceptions and exemptions which may or may not be applicable depending on each family's individual circumstances. While general information is certainly helpful (i.e. literature, websites, etc.), it is impossible to provide accurate guidance without a thorough understanding of each family's individual circumstances.

Third, time is money. Agency owners have to utilize their precious human capital as efficiently as possible in order to protect razor thin profit margins.

The Solution

We've re-structured our partner program so we can deal with all the tax and legal aspects of your placements as a seamless extension of your team. Here's how it works:

- Early in the hiring process, your placement counselors "Alert & Steer" – **Alert** families to their obligations and **Steer** them to an expert resource as a complimentary part of your service. (This does not require tax or legal expertise nor does it require counselors to dispense advice). It can be handled in seconds by following these two easy steps:
 - STEP 1 – Verbally Mention the obligations and how you've worked to find an easy and affordable solution – and how you've arranged to provide a quick consultation with a household employment specialist as a complimentary part of your placement process.
 - STEP 2 – Send our HTML email as a follow-up to the verbal mention. This email (pre-produced by us so all your counselors have to do is forward) includes our contact info and links to our website and payroll calculator. Just as importantly, if there's ever a dispute, this email will give you a tangible record of your effort.
- If the client calls, our team provides a complimentary, no-obligation phone consultation to assess their individual situation, explain the compliance process and other legal obligations, run budgets, calculate tax breaks and answer questions. We are very sensitive to the treatment of your clients and, therefore, this consultation is "soft education" – meaning we do not try to strong-arm families into being legal nor do we sell our service unless the client specifically asks. It only takes about ten minutes or so (although we're willing to spend as much time as they want).

In addition to the usual referral fee paid to the agency for clients who sign up with our service, we also pay each counselor \$25 for each family who calls for a consultation – regardless of whether they sign up with our service or not. The purpose of this extra incentive is to encourage counselors to make this a regular part of their process. Standardization of the process reduces the number of families who "fall through the cracks" – thereby reducing agency risk.

We pay the counselors and owners each month, along with a report to agency owners detailing all the families who have called and signed up. This monthly report enables agency owners to easily manage the program internally.

The Results

As of November, more than 75 agencies are participating in our program. The feedback we've received so far has been that this simple, systematic approach to tax and payroll education 1) adds value to their service offering without adding time or cost, 2) makes this difficult topic quick and easy for their counselors, and 3) eliminates any chance of their families being blindsided by expensive and time-consuming legal mistakes.

*For those of you already enrolled in our new partner program,
please let us know if we can do anything to help implement the two-step process.
If you're not currently enrolled and would like more information about our new partner program,
just give us a call or drop us an email at clientservice@breedlove-online.com.
We're here to help.*



Tax & Payroll Services for Household Employers