



LAW ADVOCATE GROUP, LLP

9701 Wilshire Blvd. Suite 1000 Beverly Hills, CA 90212

Phone: 310-651-3065 Fax: 310-601-7110

www.LawAdvocateGroup.com

Doron F. Eghbali Tax Law

[What Are SOME Tax Implications of Children's Summer Jobs?](#)

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If you are a parent and offering your child a summer job, despite the gloomy economic picture, both you and your child should, generally, be in a better position. In fact, employing your child would bestow upon you some coveted and some vaunted exemptions. Nonetheless, you should be mindful of some salient points to avoid tax pitfalls. Let us explore, to some extent, the points and pitfalls of your child's summer employment.

WHY EMPLOYING YOUR CHILDREN COULD BE A PRUDENT TAX MOVE

The best type of workers, are, children under 18 working for their parents. This is because parents could generally avoid Social Security or Medicare taxes on their child's pay, which could be around 13.3%. This is even more interesting as, generally, there is no limit on this exemption and the child does not have to pay for FEDERAL unemployment taxes.

STILL MORE GOOD NEWS FOR PARENTS

Currently, the business owner can take a deduction for child's pay and the teen does not have to pay taxes on income up to \$5,800 and can put another \$5,000 into a tax-deductible Individual Retirement Account.

SALIENT TAX PITFALLS TO AVOID

1. KIDDIE TAXES, IF ANY

Kiddie taxes are referred to the taxes children have to, often, pay at their parents' tax rate if they have unearned income greater than \$1,900. Unearned income could be income from interest,



dividends or capital gains. This situation CAN continue up to the age 24, if the child is a full time student.

As importantly, if the child earns income in addition to being liable for this tax, the child MUST file a separate tax return. It seems, generally, parents should usually file a separate tax return for their child to avoid raising their gross income which could limit other benefits or exemptions.

2. WORK AT HOME TAXES, IF ANY

If your child cannot find a job outside home; nonetheless, you want to pay your under 21 years old child for painting the garage or some other work, then, probably, you do not need to pay any FEDERAL payroll taxes or unemployment taxes on your child's payment. Remember here, your child MUST be under 21 years of age.

3. SPECIAL RULES/EXEMPTIONS APPLICABLE IF FAIR/REASONABLE PAYMENT

This is extremely important to remember what you pay your child should be commensurate with your child's skills. You cannot pay your child what a professional painter charges, unless your child is a professional, which is most probably unlikely.

DORON EGHBALI is a Partner at the Beverly Hills Offices of Law Advocate Group, LLP. Doron Primarily Practices Business, Real Estate and Entertainment Law. Doron Can Be Reached at: 310-651-3065. For More information, Please, Visit: [HERE](#).