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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 [Husband and Wife 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
- 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 both the following conditions are met.

- Your parent cares for your child who lives with you and is under 18 or requires adult supervision for at least 4 continuous weeks in a calendar quarter due to a mental or physical condition.
- You are a widowed, divorced, or married to a person who, because of a physical or mental condition, cannot care for your child during that period.