

South
Dakota
Empire

Childcare Network



Monthly Newsletter

August 2006

Please join us at our next meeting!

when:

Tuesday, Aug.
8th
7:00 pm

where:

Olive Garden
W. 41st. Street

what:

Great food and
even better
conversation!

Future Meetings:

Sept. 5th, Oct 10th, Nov. 14th, Dec. 12th, Jan. 9th, Feb. 6th

SeChildcareNetwork

Cari Lindner, a member of our Networking Group, has developed a discussion group called SeChildcareNetwork. It is FREE OF CHARGE and provided and monitored by Yahoo Groups preventing spam and making the site secure. To receive more information, contact Cari Lindner at 543-5435 or cslindner@msn.com. Please visit <http://groups.yahoo.com/group/SeChildcareNetwork> for the opportunity to sign up and view the site Cari created. This discussion group is for childcare providers in South Dakota offering friendship and support in all aspects of our careers from much needed venting to programming and business building ideas.

Family Child Care

Professionals of South Dakota

Another great resource for childcare providers is the Family Childcare Professionals of South Dakota. Their web site is found at www.SDFCC.org. Take a peak at the various resources and links that you will find on this site. Check out the Photo Album or Bulletin Board Forum to see and hear from members of our SEN Networking Group. You can get on the forum directly at www.sdfcc.net/forums. A short registration process is all that is required to post messages. I have to say there are some resources that can be found in these posts that my business could not do without.



Family Child Care Record-Keeping Guide

By Tom Copeland, J.D.

Are your workers employees or are they independent contractors?

1. If your workers are employees, you must withhold Social Security and Medicare taxes and pay federal unemployment tax. As an employer, you must pay your portion of your employees Social Security, and Medicare taxes. You'll need to pay the minimum wage. State laws may require you to pay state unemployment taxes and purchase worker's compensation insurance. You should deduct the wages you pay your employees on the "Wage" line of Schedule C.
2. If the workers are independent contractors, you do not need to withhold or pay any taxes for them. You need to list your payments to them under "Other Expenses" on the back of Schedule C.
3. How to determine if your worker is an employee or an independent contractor:
 - a. Behavioral Control- "The more detailed the instructions that the worker is required to follow, the more control the business exercises over the worker." The more control the business has over the methods used by the worker doing the work, the more likely the worker will be considered an employee. The absence of detail in instructions reflects less control, which defines an independent contractor. Example: Hiring a plumber versus hiring a daycare assistant. With the plumber you simply point out where the pipe is broken, then sit back and let the plumber figure out how to fix it. With a child care assistant, you wouldn't say "There are the children, figure out what to do with them. Whatever you do is O.K. with me." With a child care assistant, you provide a lot of instruction, such as what schedule to follow, when to serve food, how to discipline, and the particular needs of each child. Parents expect your assistant to follow the same rules, procedures, and schedule you establish.
 - b. Financial Control-The definition of an independent contractor is someone who has control over how much compensation he or she is entitled to. Sometimes he or she makes a profit or sometimes suffers a loss. In the case of the day care assistant, the provider retains financial control over the business, not the assistant. This means the assistant is an employee, not an independent contractor.
 - c. The Relationship of the Parties-If your assistant meets the criteria of an independent contractor; there should be a written contract that describes your assistant as an independent contractor rather than an employee. However, a written contract is not enough by itself. The substance of the relationship dictates the status of the worker. The behavioral and financial control factors above clearly list the kind of relationship between worker and employer.

Ultimately, the IRS will consider anyone who assists you with the children in your care an employee. The hours the person works for you, is not a factor in determining the status of the worker. For example, if you leave your assistant in charge of the day care and pay the assistant \$30.00 each time, that assistant is considered an employee. You as the provider still exercise behavioral and financial control over the work he or she does, and how it will be done.

Some providers believe that if you pay someone less than \$600.00 a year, the person can be considered an independent contractor. This is not the case. Independent contractors are people who come into your home on special occasions to perform specific services. Characteristics of independent contractors include performing functions when and how they choose. Persons performing cleaning services, toy repairs, or special activity programs, are considered independent contractors. Someone who is in the business of providing backup childcare serving as an assistant to several providers may be considered an independent contractor. She needs her own taxpayer identification number, should have her own business name, and should have a business contract for you to sign.

If you hire an independent contractor, be sure there is a written contract in force. The contract needs to say that the person is not an employee, and that she is responsible for her own income taxes. The contract alone does not constitute evidence to the IRS that he or she is not your employee. The worker must still meet the definition of an independent contractor as prescribed by the IRS.

If you pay any independent contractor more than \$600.00 a year, that IRS requires you to file Form 1099 Miscellaneous Income for that employee. There is a penalty for not filing this form. The IRS is becoming more active in enforcing the rules for family childcare providers. If you are audited the IRS will consider your workers to be employees unless they meet the narrow exceptions described. You will be held responsible for all unpaid Social Security and Medicare taxes plus interest and penalties.

The IRS may investigate if you file a Form 1099 Miscellaneous Income for one of your workers. The IRS uses this form to investigate whether the person is actually an employee. The Family Childcare Tax Workbook gives detailed instructions for forms.

1. **Form I-9 Employment Eligibility Verification (Immigration Office)**
2. **Form SS-4 Application for Employer Identification Number**
3. **Form W-4 Employee's Withholding Allowance Certificate**
4. **Form 941 Employer's Quarterly Federal Tax Return**
5. **Form 940 Employer's Annual Federal Unemployment Tax Return**
6. **Form W-2 Wage and Tax Statement**
7. **Form W-3 Transmittal of Income and Tax Statements**

By Cherie M. Banks



Unicorn

Send me the muse,
So I might write
Uplifting thoughts
As wings in flight.

Thoughts which abound
In fleeting lines.
Send me the muse
In troubled times.

Mystical fantasy
Let me escape.
Magical verses
Realities break.

Cherie M. Banks



Please Note...

If anyone has ideas of other items they would like to see in these newsletters or at our meetings, please feel free to share them with me! I would like to thank Cherie Banks for her help in writing the Source this month and for providing the wonderful poem! Thanks! Pam Stefanich 361-7322 or Stefan@sio.midco.net