



Assemblage LLC Bi-Weekly Newsletter

Message from Kellé

Hello friends!

So, I'm struggling with work-life balance! I need a vacation! I need relaxation! Desperately! Do you feel



the same way? If so, let's both make it a priority this week to set work-life boundaries and make some time for relaxation. If you're not struggling with this, PLEASE HELP! Email me your tips!

Your Virtual CFO & Business Strategist.

Kellé

[Schedule 15 Minutes with Kellé](#)

**How to Hire Your Kids The Tax Smart Way
(Part 2....Yep that's right so if you missed part 1, go
to our website and grab it. Oh and make sure you
share so others who may benefit don't miss out too!)**

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There are different rules as it pertains to hiring your children and paying them a max of \$12,000 annually for different types of businesses. When the owners of a corporation hire their child, there are still payroll taxes like FICA to deal with.

FICA tax may not have to be withheld on work performed by a child under the age of 18 while employed by a parent in an unincorporated business (sole-proprietorship, single member LLC or a partnership where the only partners are the child's parents). However, there is no FICA or FUTA exemption for employing a child in an incorporated business (S or C Corp) or in a partnership that includes non-parent partners. In these cases, the children are subject to the same withholding rules that apply to all other employees.

So, as you learned in the previous newsletter, you DO NOT have to pay payroll taxes for employing your kids if your business is a sole-proprietorship, a single-member LLC taxed as a disregarded entity, or an LLC taxed as a partnership and owned solely by you and your spouse.

But if your business is a S or a C corporation, or a partnership, the IRS's rules are clear. You must withhold and pay payroll taxes on income given to your children. So are you stuck if your small business is set up as an S or C Corp? Or if you're planning on switching to an S Corp like we normally recommend for maximum tax advantages?

Well, it turns out there is a workaround.

But there is a way to get around this restriction utilizing a little creativity and a "hybrid" approach.

Instead of paying your children directly from your S Corp, you pay them out of a family management company.

You can create this simple family management company as a Sole Proprietorship separate from your S Corp, and owned by yourself or your spouse.

Its only purpose is to support the operations of your Corporation, which can include the scheduling and monitoring of jobs done by your child(ren) — and all the bookkeeping and documentation necessary to keep the jobs within IRS standards.

The family management company charges the Corporation a management fee for these services and can then pay your child — which removes them from your corporate payroll.

And since the family management company is a Sole Proprietorship owned by a parent, you, or your spouse, it falls under the IRS exemption where payroll taxes don't have to be withheld.

By following this workaround, you've found a way to truly pay your kids \$12,000 per year tax-free using nothing but the IRS's own rules.

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Newsletter subscribers are automatically entered into our monthly prize drawing. But you can get *BONUS* entries!

For every person that signs up for our newsletter and includes your name and/or email in the "How did you hear about us?" section you will get ONE BONUS ENTRY.

Just send people [This Link](#) so they can sign up! Get those bonus entries!!



In ADDITION! You can get ONE Bonus Entry for EVERY SOCIAL MEDIA SITE you follow us on.

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Helpful Tip



Learn More

Hiring your kids can save you money! They get paid, you get to take tax deductions, and as long as their salary is less than \$12,000 they don't have to pay income tax. Its tax-free savings for college that you both contribute to. Them from their labor and you from your business payroll.

Recent Reviews

Dani McMahon -- 5 Stars

Positive: Professionalism, Responsiveness, Value

Kelle's guidance, communication and follow up are top notch! Her experience and professionalism come through with every correspondence.

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