PRIME

HIRING YOUR *CHILDREN*



Hiring your children through your business is an excellent income shifting strategy. The idea is to pay your children for legitimate work within your business, thereby creating a tax deduction for the business. If you pay them less than the standard deduction for that year, the income becomes tax-free which has a further impact on your savings. Additionally, you do not have to pay social security/medicare taxes (FICA) on wages paid to your children under the age of 18, nor Federal Unemployment Taxes (FUTA) on wages paid to your children under the age of 21 in some cases (unless you're operating as a C-Corporation).

QUALIFICATIONS

In essence, anyone who owns a business and has children can utilize this strategy. However, there are a number of considerations to be aware of:

- **Age + Role**: The work you employ your child to do must be real, necessary, and age-appropriate. For example, children under 14 generally cannot be employed in certain industries. Roles in manufacturing or other hazardous environments are not recommended for younger children. While there is technically no bottom-end age limit for hiring your child, just be sure to comply with child labor laws, which vary by state. It's also important to note that there are limits on the number of hours minors
can work.
- **Wage**: The wages you pay your child must be reasonable and aligned with market rates for the type of work they are doing. The IRS expects wages to be comparable to what you would pay a non-family member for similar work. Keeping detailed records of hours worked and tasks performed is crucial to demonstrate that the compensation is legitimate.

IMPLEMENTATION

For a detailed implementation checklist and other helpful resources, scan the QR code below or click **here**.



GET CREATIVE!

Only you know the legitimate needs of your company and capabilities of your children. We've given you a few ideas to get the ball rolling, but don't be afraid to think outside the box! For example, the President of Prime Corporate Services employs his children as models in the photography for his real estate side-gig.

GOT QUESTIONS?

Email **decoder@primecorporateservices.com**
or contact **(855) 577-4639** for more information.

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