



Nanny Payroll
EXPLAINED

*A simple guide for parents who
want it handled right*

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A light blue front door with a glass insert and a decorative wreath. The door has a small window above it and a doormat in front. The wreath is made of green leaves, yellow flowers, and brown branches. The door is set in a white frame. The background shows a green lawn and a swimming pool.

Before Your Nanny's First Day

Hiring a nanny is an exciting and weighty decision. You're thinking about trust, dependability, and how this person fits into your family's daily life.

Alongside that is a quieter, practical question: how does the payroll and legal side of this work?

Most families have a general sense of what is involved. What we want is reassurance and confidence that nothing important is slipping through the cracks.

That is what this guide provides: a clear path forward with fewer things competing for your attention during an already full season.

You'll also find a simple hiring checklist at the end.

Do you want to be a *Payroll Manager?*

**TAKE A MOMENT TO SEE HOW MANY OF THESE
YOU ALREADY HAVE ANSWERS TO.**

- How do taxes work in my state? Who submits them?
- Can I pay in cash? Zelle? Send a check like it's 2003?
- What happens if payday falls on a holiday?
- How do I track if my nanny stays an extra 6 minutes on Monday and 11 minutes on Thursday?
- Do I need to do anything specific at the end of the year?
- How does having a nanny affect my taxes?
- Is there a way to automate all of this?
- What is the easiest way to handle this long-term?

Did a few give you pause?

The good news is: these questions don't require you to become an expert. They require a setup that already knows the answers.

When payroll is handled well, these details surface briefly, are addressed correctly then fade into the background.

Hiring a nanny **should** make your life easier, not add a new admin role to your plate.



How the IRS Classifies Nannies

If you like to understand why something works the way it does, this section is for you.

The IRS states it plainly:



“The worker is your employee if you can control not only what work is done, but how it is done...it doesn't matter whether the work is full time or part time, or that you hired the worker through an agency or from a list provided by an agency or association. Also, it doesn't matter if the wages paid are for work done hourly, daily, weekly, or by the job.”

— IRS Publication 926, Household Employer's Tax Guide



In other words, if:

- You set the work schedule, duties, and expectations;
- The work is done in your home using your materials (*diapers, wipes, toys, etc.*)
- The caregiver follows your routines (baby naps at 12:00 PM, or Ashley is picked up from school at 2:30 PM) and preferences (limited screen time or how your child is put down for naps),

they are your employee.

Once this is clear, the rest of payroll becomes simpler.

The question is no longer whether payroll applies, but how easily you want it handled.

A hand holding a red marker is circling a date on a calendar. The calendar is a grid with numbers 6, 7, 8, 13, 14, 15, 20, 21, 22, 29. The text is overlaid on the calendar.

What Happens Every Pay Period

Now that we've been sufficiently schooled by the IRS, we can talk about the part that affects your life week after week.

Paying your nanny

Payroll Facts Panel

The IRS does not care how you pay your nanny. Those are logistics. What matters is what happens behind the scenes.

Payroll Facts

52 weeks per year

Per pay period

To Do

Every Pay Period

Employee Wages

Accurate calculations

Proper withholding

Timely submission

Records that hold up later

Employee's Tax Withholding ?%

Employer Taxes ?%

Social Security 6.2%

Medicare 1.45%

State taxes (vary by state) ?%

Deadlines	Ongoing
Cash	?
Zelle	?
Check	?
Direct Deposit	✓

*Once wages cross the annual household employee tax threshold, all items listed here apply to every pay period. Requirements may change year to year.

	Changes to pay	Changes to taxes
WHAT CHANGES PAYROLL CALCULATIONS	Extra hours Overtime Paid time off Holiday weeks Bonuses	Employee's W-4 Wage thresholds State specific rules Yearly tax updates

Repeats every pay period

Varies by employee

Direct deposit is easiest

State taxes can include:

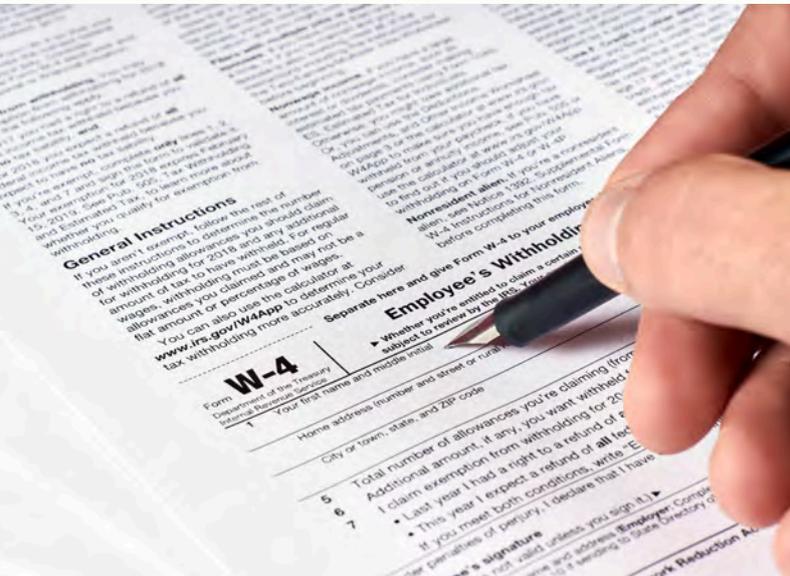
- unemployment insurance,
- state income tax,
- state disability or paid leave programs

Payroll is dynamic

The payment method feels simple. The compliance work is not.

PAYROLL PANEL:

Deciphering The Label



Facts

- ✓ Withholding varies by employee
- ✓ Overtime calculations are affected by holidays, paid sick leave and paid time off
- ✓ Bonuses follow different tax rules
- ✓ Requirements update year to year

Reality

Imagine managing that weekly:

- ✓ Calculating the right amounts
- ✓ Setting funds aside on time
- ✓ Tracking it cleanly
- ✓ Then, reconstructing it later from screenshots, notes, and payment app histories if questions ever come up

There are better uses for your beautiful brain

One Tax *Exception*

If you pay a household employee less than \$3,000/year (as of 2026), federal taxes do not apply. At \$25/hour, that is 30 four-hour date nights over a single calendar year. Cheers, enjoy them!

But the moment wages cross that threshold by a **penny** you owe taxes on the full \$3,000.01.

So, if you even **suspect** you are going to cross the threshold, starting with a payroll system will save you a future headache or law breaking.

Employment made...



Easy

When payroll is set up well:

- ✓ Hours are tracked in one place
- ✓ Overtime is calculated automatically
- ✓ Payroll runs on schedule
- ✓ Taxes are withheld correctly and submitted on time

Hard

- ✗ Reviewing tax law
- ✗ Keeping track of payroll deadlines
- ✗ Double-checking your math
- ✗ Wondering if this week is different from last week
- ✗ Payroll staying on your mental to-do list



*Payroll can quietly support your life
or compete with it*

A woman with dark hair, wearing a blue and white striped shirt, is leaning over a large cardboard box on the floor. She is smiling and looking at a young child with curly hair who is also smiling and looking into the box. The child is holding the top edge of the box. The background shows a living room with a lamp, a plant, and a woven basket.

A Solution

*This is where things
get easy*



Our Recommendation: HomePay.

We've worked with several household payroll providers over the years. In practice, HomePay covers more of the process from start to finish, from setting up tax accounts to onboarding your nanny.

Parents have access to specialists who understand how in-home employment works and guide you through questions as they arise.

And, HomePay is built around the realities of employing someone in your home:

- ✓ Time tracking
- ✓ Schedule changes
- ✓ Extra hours
- ✓ Overtime
- ✓ Bonuses
- ✓ Sick pay
- ✓ Holiday weeks
- ✓ School closures
- ✓ Overnight care
- ✓ Rate increases

HomePay handles payroll correctly, keeps it off your plate, and grows with you as your family evolves.

Discounted *HomePay Pricing*

A simpler way to run nanny payroll

Families using this guide get HomePay at a discounted rate of **\$59/month**. This pricing is available through March 2026 and applies for the life of your account.

SET UP WITH HOMEPAY



A Final Note

If you are reading this, you're already doing something right. You're asking questions before they become problems and taking the role of employer seriously alongside all the other responsibilities that come with parenting.

That matters



Most of what makes a nanny relationship work well happens in the day to day. Trust. Communication. Respect. The administrative pieces are not the heart of the relationship, but when handled well, quietly support it.

Putting a solid structure in place now creates more space for what matters most.

If you need us, you can reach our team at team@stemnannies.com

A Simple Hiring Checklist

For families who are actively hiring and want a clear way to track next steps.

Before Making an Offer

When these steps go well, you are well positioned to move forward with an offer.

- Interview
- Trial appointments or play dates
- Reference checks (typically 4 - 5)
 - Most recent employers
 - Long-term employers

Once an Offer is Accepted

The focus moves from family fit to verification. These steps confirm identity, qualifications, and key information before employment begins.

- Gather copies of the candidate's:
 - Government-issued photo ID, often a driver's license
 - CPR Certification
 - COVID-19 Vaccination Card (if required by your family)
 - Automobile Insurance
 - Education Verification (diplomas, certificates, or transcripts for all stated training or degrees)

Complete the following screenings:

Background Check

Motor Vehicle Report

Useful even if driving is not part of your role. Repeated violations can surface broader patterns related to judgment and reliability. Conversely, a clean record can reinforce confidence in your choice!

Social Media Screening

Send and sign your nanny agreement

Employment and Payroll Setup

Links are included for your convenience

Secure an EIN 

Choose a payroll provider and complete set up 

Explore worker's compensation insurance options
(state requirements vary)

Check your home insurance policy first to confirm if a household employee rider is available

Explore standalone policies such as HomeStaff 

Happy hiring!