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How do I pay a minor child so they have earned income?



A. If you own a business such as an LLC, it's easy.

The business simply pays the child and issues a W-2 to the child.
(Preferred)

B. Another option is to pay the child and issue a Form 1099. This will show the child was paid however, may require the payment of Self Employment tax. Self-Employment tax isn't awful however, paying with a W-2 can avoid it.

The Notes

Note 1: The amount you pay to the child should be similar to the amount you would pay a non family member for the same task.

Note 2: What type of work may I pay my child to do? How about Stuffing Envelopes, Shredding Papers, Filing etc. Make the "work" reasonable for their age. Example: Your two-year-old did not help you move your office. But, they could be a model on your Web Site.

Note 3: Generally, household chores may not be included.
(Sorry, you can't pay Jr. \$5,500 a year to straighten his room.)

Note 4: The above assumes the child has less than \$350 of "Unearned Income". Hence, if Grandma gave Jr. 1500 shares of General Electric stock which is paying a dividend of more than \$350 a year; please see your tax professional regarding any Kiddie Tax which may be due.

Note 5: What about FICA, FUTA, SUTA? When the child is a dependent:

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| FICA | Wages are exempt up to age 18 |
| FUTA | Wages are exempt up to age 21 |
| SUTA | Wages are exempt up to age 21 |

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