Hiring Your Kids in Your Business

The Strategy in 60 Seconds

Your kid can earn about sixteen thousand one hundred dollars a year with zero federal income tax, and you still deduct it. Here's exactly how, in sixty seconds.

EARNED

W-2 wages are earned income, which makes a Roth IRA possible

Four things that make it hold up

- **Written job description - Real tasks, real business purpose**
- **Reasonable hourly rate - At least minimum wage, not $100/hr**
- **Time records every period - Hours worked, dated, kept on file**
- **Actual payroll and a W-2 - Gusto, ADP, or QuickBooks payroll**

Tasks that pass the smell test

- Clean the office
- Empty trash cans
- File and shred
- Data entry
- Social media posts
- Inventory counts

MOWING YOUR HOME LAWN IS NOT A BUSINESS EXPENSE

The Law Behind It (primary sources)

Verify against the source before relying. This is education, not legal or tax advice.

26 U.S.C. Sec. 3121(b)(3)(A) - Wages a child under 18 earns from a parent's sole proprietorship or partnership are exempt from FICA.

https://www.law.cornell.edu/uscode/text/26/3121

26 U.S.C. Sec. 162(a) - The wages are deductible to the business as an ordinary and necessary expense - for genuine work at a reasonable rate.

https://www.law.cornell.edu/uscode/text/26/162