

10 Tips for Hiring and Paying Summer Help

If you hire summer help, know the rules.

Whom can you hire? Must you pay for lunch hours and breaks? Is a paid holiday counted as time worked for overtime purposes?

Here are some practical answers from The American Institute of Professional Bookkeepers of Rockville, Md., to save you time, money and grief with the Internal Revenue Service or U.S. Department of Labor:

Family-owned businesses that employ their own children: If the parent owns 100 percent of the business as sole proprietor, partner or stockholder, the children may work for the parent regardless of age, hours of work or time of day. If, however, the owners regularly employ other than immediate family, they must pay their children the federal minimum wage.

Children under age 16 employed by their parents generally may do clerical but not "hazardous" work, such as operating power machines (lawn mowers, sewing machines, etc.), working where food is cooked or near flammable or hazardous material.

Parents can get special Department of Labor certificates that let them pay less than the federal minimum to student trainees and apprentices. Because state laws vary, check your state's child labor laws for restrictions and pay requirements.

Keep in mind also that wages for a child under 21 years of age are exempt from Federal Unemployment Tax. Wages for a child under age 18 are exempt from FICA (Social Security and Medicare) withholding only if the parents are sole owners or sole partners. You must withhold federal income tax from these children and file a W-2 form for each.

Hiring children under 18 who are not related to the owners: Obtain

an age certificate that is recognized or approved by the employer's state Wage and Hour Division.

Hiring children under 14 to 15 years of age who are not related to the owners: When school is not in session, these children can work up to 8 hours a day, 40 hours a week. When school is in session, they can work up to 3 hours a day, 18 hours a week. From June 1 through Labor Day, they can work only between 7 a.m. and 9 p.m.; during the rest of the year, they can work only between 7 a.m. and 9 p.m.

These limits do not apply, however, to news carriers or those employed exclusively by a parent/sole proprietor. For rules concerning agricultural jobs, contact the Department of Labor.

Hiring children under age 14 not related to the owners: Federal law prohibits the hiring of children under 14 unless they are working for a parent who is the sole owner of the business.

Paying overtime any time of the year: Overtime is defined as total hours worked over 40 in a work week. To determine overtime, federal law does not require including paid non-work hours such as paid sick days, vacation and jury duty. Ask your state Department of Labor if there are state limits.

Example: An employee is paid for 49 hours in a work week including 41 hours worked and 8 hours for a paid holiday. Pay this employee only one (1) hour at the overtime rate. This is computed by taking the total hours worked (49), subtracting the paid holiday hours (8) and then subtracting 40 for the work week.

Hint: Include paid vacation and holidays in your company's Workers' Compensation reports. These wages generally are included in premium computations. Ask your insurance company about laws for your state.

Paying part-timers for holidays is always optional. Some companies give pro-rated holiday pay by computing the average number of hours worked per day and using this percentage to compute holiday pay.

Including temporary and part-time employees in health, pension and other benefits is optional.

However, if they are to be excluded, your company should have a written plan document that states these benefits are not available to these workers.

Federal law does not require employers to provide a lunch period.

But your state law might. And if your company has labor union contracts, these may require a specified lunch period. You must pay employees if work is performed during the meal period.

If lunch periods are provided, they do not have to be paid time. That is, provided the employee is relieved of all duties and responsibilities and the period is at least 30 minutes. Rest periods or coffee breaks, which are usually shorter, must be paid as work time. Breaks are not required under federal law, but may be required under some state laws.

High school and college students are not exempt from withholding taxes.

You must withhold Social Security and Medicare from all summer workers unless they are children under 18 working for parents who are sole owners or sole partners. You must require a W-4 form from all summer employees - even students working part-time - and withhold federal income tax unless the person claims exempt or has more than 10 exemptions. Send a copy of any W-4 that claims exempt or has more than 10 exemptions to the IRS.

State regulations may differ, so be sure to check your state laws.

Visit the AIPB on the Web:
www.aipb.org