

As requested, here is some information to forward on to the group on the initiatives and risks associated with off the books employees, especially with the new initiatives being put in place. I took the liberty of summarizing the information that I spoke with to the group about and thought I would provide the link to the articles I handed out. This Wall Street Journal article appears about six weeks ago in the front page of the Money and Business section: <http://online.wsj.com/article/SB126791635647657493.html>. The other handout was from the front page of the business section from the New York Times, a few weeks back: <http://www.nytimes.com/2010/02/18/business/18workers.html>. This article on Page 2 (if you print it off, specifically mentions home health aides as an area where the IRS knows there is misclassification occurring.

New York State Department of Labor is riding on the coattails of this IRS initiative: <http://www.labor.state.ny.us/ui/MisclassificationofWorkers.shtm>. If that weren't good enough, there is the whole anonymous reporting initiative that New York State has put in place and that can be fund here: <http://www.labor.state.ny.us/ui/dande/EmployerTaxFraudHotline.shtm>.. At the end of the day, it is just not worth the risk to begin with, but now, with some of the initiatives in place, the odds of being cause increase even more.

As if that weren't enough, the federal whistleblower laws also apply to this meaning that any impropriety uncovered as a result of a confidential tip gives the person who reported up to a 40% fee (taxable of course).

One thing that is not addressed by this is the employment of illegal aliens, or people who are not allowed to work in the United States. If this occurs and you get caught, not only do you have to deal with the Federal and State tax fraud investigations, but also one by INS (Immigration and Naturalization Service, which is part of the US Customs and Homeland Security). Why....for the very simple reason that by you employing someone illegally, who is not allowed to work in the United States, you are taking employment away from someone who is looking for work. Given our recession, this too does not bode well. So anyone who is not legal has to go and can't be employed by you.

There are many strategies and coaching that we can offer to anyone who needs to contemplate going around this path. There are many different options that can be offered to facilitate each

family's circumstance. But they need to go down this path with eyes open and it will cost them more, no matter what. I offer a number of different whitepapers which are available from my website for downloading. They are as follows:

An Introduction to Payroll and Withholding Taxes for Household Employers:  
[www.redlig.com/payroll101.pdf](http://www.redlig.com/payroll101.pdf)

The Misnomers of Payroll: Knowing the Facts About Putting an Employee On The Books:  
[www.redlig.com/payroll\\_whitepaper.pdf](http://www.redlig.com/payroll_whitepaper.pdf)

A Guide to Understanding the Minimum Wage and Overtime Laws for Household Employers:  
[wwwredlig.com/WageLaws.pdf](http://wwwredlig.com/WageLaws.pdf)