

Coverage of Workers Performing Domestic (Household) Services



What the law says: This matter is covered by Sections 43(e) and 41(6) of the *Michigan Employment Security Act*. The law says that services performed by domestic (household) employees are excluded from coverage for unemployment benefits unless the employer had paid, for domestic services, at least \$1,000 in any calendar quarter in the current or previous calendar year.

Domestic services include services performed in a private home and those performed for a local college club or local chapter of a college fraternity or sorority not operated for profit. Examples of domestic services would include cooking, cleaning, nursing, babysitting and home child care, gardening, and other similar domestic services.

Upon request to, and approval by, the UIA, a domestic employer may pay the unemployment tax annually, rather than quarterly, but the quarterly reports are still required.

Although an individual may own a business as a sole proprietor and be liable as an employer with respect to that business, he/she would not be liable as a "domestic employer" until he/she has paid at least \$1,000 in a calendar quarter for domestic services.

Example 1: Mary Jones employs a babysitter to take care of her small children after school for a few hours a day. Typically she employs the babysitter for 15 hours a week, at an hourly rate of \$5.00, for a total of \$975.00 in a calendar quarter. Mary decides to give the babysitter a dollar an hour increase, in keeping with the rates for babysitters in the area. At \$6.00 per hour, the babysitter's quarterly wages become \$1,170 a calendar quarter. At that point, Mary must register with the Unemployment Insurance Agency (UIA) as a domestic employer, and must begin filing quarterly wage and tax reports and paying contributions retroactive to the beginning of the year.

Example 2: John Smith runs a tool and die shop as a sole proprietor. He is a liable employer and pays state and federal unemployment taxes with regard to his employees in that business.

John's elderly Mother comes to live with him and he pays a visiting nurse to come in once a day to bathe her. He pays her \$15.00 per visit, for 5 visits a week. Eventually John finds it necessary to employ an additional visiting nurse for weekends, paying that additional nurse \$15.00 per visit as well.

With the additional domestic service, John's payments for domestic services exceed \$1,000 in a calendar quarter, and John must register with the Unemployment Insurance Agency as a domestic employer and must begin filing quarterly wage and tax reports on those services, and paying contributions on those services for the entire year in which liability was incurred.

Example 3: After years of enduring bad food they prepared themselves, the brothers of the local college chapter of the Alpha Phi Omega Fraternity engaged the services of a professional cook. The fraternity chapter paid the cook for 4 hours of work per weekday at an hourly rate of \$10.00. The duties of the cook involved shopping for and preparing the dinner meal, serving the dinner, and cleaning up the kitchen after the meal. The cook's quarterly wages were \$2,600, more than enough to require the local chapter of the fraternity to become a liable domestic employer under the Michigan Employment Security Act.

Proof at the Hearing: If the question at the hearing is whether the unemployed worker is entitled to unemployment benefits, the key questions will be (1) whether the unemployed worker performed domestic services for the employer, and (2) whether the employer has paid the threshold amount for domestic services alone in any calendar quarter in the current or preceding calendar year.

For Further Help: The UIA Advocacy Program can provide assistance to employers and/or unemployed workers in preparing for an Administrative Law Judge hearing. Call 1-800-638-3994, Item 2.