Federal Tax Rules for Hiring Your Children

The IRS provides special employment tax treatment for children working in certain family-owned businesses.

Business structure	Social Security and Medicare taxes	Federal unemployment (FUTA)
Sole proprietorship owned by a parent	Generally, exempt if the child is under 18	Generally, exempt if under 21
Partnership where each partner is a parent of the child	Generally, exempt if the child is under 18	Generally, exempt if under 21
Corporation, including an LLC taxed as a corporation	Generally, apply, even if the child is under 18	Generally, apply, even if the child is under 21

These exemptions apply to qualifying family employment, not simply because the employee is related to the owner. Federal income tax withholding rules are different: wages paid to a child for work in a parent's sole proprietorship or qualifying parent-only partnership are generally subject to income tax withholding rules regardless of age.

Wages are not automatically exempt from income tax merely because the employee is your child.

For example, if you operate a sole proprietorship and hire your 16-year-old child to perform legitimate office work, the wages generally qualify for the Social Security and Medicare tax exemption. If you operate a corporation and hire that same child, the exemption generally does not apply.

2. Rules for the type of work your child can perform

Federal child labor laws generally restrict work by children under 14, limit the hours and duties of 14- and 15-year-olds, and prohibit hazardous work for anyone under 18. Special exemptions apply to certain businesses owned entirely by a parent.

- **Under age 14:** Employment is generally restricted, although certain family-business and other exemptions may apply.
- **Ages 14–15:** Permitted duties and working hours are restricted unless a specific exemption applies.
- **Ages 16–17:** More work is permitted, but federally prohibited hazardous occupations remain off-limits.

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- **Age 18 and older:** Federal child labor restrictions no longer apply, although ordinary employment and tax laws still do.

IRS Publication 15 (Circular E), Employer's Tax Guide — 2026

For the more detailed official guidance, go to **Section 3: Family Employees**, particularly the subsection titled *Child employed by parents*. It explains the tax treatment based on the business structure and child's age. Below:

Family Employees

Child employed by parents. Payments for the services of a child under age 18 who works for their parent in a trade or business aren't subject to social security and Medicare taxes if the trade or business is a sole proprietorship or a partnership in which each partner is a parent of the child. If these payments are for work other than in a trade or business, such as domestic work in the parent's private home, they're not subject to social security and Medicare taxes until the child reaches age 21.

Payments for the services of a child under age 21 who works for their parents, whether or not in a trade or business, aren't subject to FUTA tax. Payments for the services of a child of any age who works for their parent are generally subject to income tax withholding unless the payments are for domestic work in the parent's home, or unless the payments are for work other than in a trade or business and are less than $50 in the quarter or the child isn't regularly employed to do such work.

One spouse employed by another. The wages for the services of an individual who works for their spouse in a trade or business are subject to income tax withholding and social security and Medicare taxes, but not to FUTA tax. However, the payments for services of one spouse employed by another in other than a trade or business, such as domestic service in a private home, aren't subject to social security, Medicare, and FUTA taxes.

Covered services of a child or spouse. The wages for the services of a child or spouse are subject to income tax withholding as well as social security, Medicare, and FUTA taxes if they work for:

• A corporation, even if it is controlled by the child's parent or the individual's spouse;

• A partnership, even if the child's parent is a partner, unless each partner is a parent of the child;

- A partnership, even if the individual's spouse is a partner; or
- An estate, even if it is the estate of a deceased parent.

In these situations, the child or spouse is considered to work for the corporation, partnership, or estate, not you.

Parents are employed by their child. When the employer is a child employing their parent, the following rules apply.

- Payments for the services of a parent in their child's (the employer's) trade or business are subject to income tax withholding and social security and Medicare taxes.
- Payments for the services of a parent not in their child's (the employer's) trade or business are generally not subject to social security and Medicare taxes. Domestic services are subject to social security and Medicare taxes. Social security and Medicare taxes do apply to payments made to a parent for domestic services if all of the following apply.
- The parent is employed by their child (the employer).
- The employer has a child or stepchild (including an adopted child) living in the home.
- The employer is a surviving spouse, divorced and not remarried, or living with a spouse who, because of a mental or physical condition, can't care for their child or stepchild for at least 4 continuous weeks in the calendar quarter in which the service is performed.
- The child or stepchild of the employer is either under age 18 or, due to a mental or physical condition, requires the personal care of an adult for at least 4 continuous weeks in the calendar quarter in which the service is performed.

Payments made to a parent employed by their child aren't subject to FUTA tax, regardless of the type of services provided.

Publication 15 on pages 45-52 the 2026 version lists **Special Rules for Various Types of Services and Payments please review.**