TaxStache 2026 Summer Hiring Setup Checklist

For business owners hiring seasonal workers, first-time summer help, or family members. Updated April 2026 — taxstache.com

This checklist is organized by timeline because order matters. Some setup items take a week to process. Some forms are due before your hire's first paycheck. Some rules only apply to family members. Work through each phase in order and flag anything that needs professional guidance.

Important reminder: A summer hire is an employee. The duration of the job has no bearing on your obligations as an employer. The forms, deposits, and W-2 at year-end are the same whether the worker is with you for ten weeks or ten years.

Phase 1: Before You Make the Offer

Classification

☐ Confirm your worker is genuinely an employee, not an independent contractor. The test has nothing to do with how long they'll work — it has to do with control, scheduling, tools, and direction. Most summer help fails the contractor test on every prong.

☐ If genuinely unsure, file Form SS-8 with the IRS for an official determination. Be aware: this asks the IRS to make the call, which sometimes goes the way you wanted and sometimes doesn't.

☐ Confirm your business structure. The FICA and FUTA exemptions for hiring your own children only apply if your business is a sole proprietorship or a parent-only partnership. S-Corps, C-Corps, and partnerships with non-parent partners don't qualify.

Federal Setup (if you don't already have it)

☐ Apply for your EIN at irs.gov/ein if you don't have one. Free, takes 10 minutes, required before you can run payroll.

☐ Enroll in EFTPS at eftps.gov. Allow 5–7 business days to process. You cannot make federal payroll tax deposits without this. Set it up well before your first payroll run.

☐ Register with your state's department of revenue for income tax withholding.

☐ Register with your state workforce agency for state unemployment insurance (SUTA).

Phase 2: Before the First Paycheck

Required Forms from Every Hire

☐ Form W-4 — federal income tax withholding. Students often claim "exempt," which is allowed if they had no tax liability last year and expect none this year. The decision is theirs to make on the form, not yours.

☐ Form I-9 — employment eligibility verification. Federal requirement, not optional. Must be completed within 3 days of the start date.

☐ State withholding form (if your state has its own).

☐ Workers' comp coverage confirmation. Most states require coverage from the first employee, including seasonal hires.

Recordkeeping Setup

☐ Create an employee file with W-4, I-9, signed offer letter or job description, and any state forms.

☐ Set up a timesheet or time-tracking system. This matters whether the hire is your daughter or someone you've never met before.

☐ Decide your pay schedule (weekly, bi-weekly, semi-monthly) and stick to it.

Phase 3: Each Pay Period

Withholding

☐ Federal income tax based on the W-4.

☐ Social Security: 6.2% from the employee, 6.2% from you (on wages up to $184,500 in 2026). *Exception: wages paid to your child under 18 in a sole proprietorship or parent-only partnership are exempt.*

☐ Medicare: 1.45% from the employee, 1.45% from you (no wage cap). *Same exception applies for your child under 18.*

☐ State income tax withholding per your state's rules.

Deposits

☐ Monthly depositors: deposit all withheld federal income tax and FICA by the 15th of the following month.

☐ Semi-weekly depositors: wages paid Wed–Fri → deposit by the following Wednesday. Wages paid Sat–Tues → deposit by the following Friday.

☐ $100,000 next-day rule: if accumulated liability hits $100,000 on any single day, deposit the next business day regardless of your normal schedule.

Phase 4: Hiring Your Own Children — Additional Rules

Eligibility Reminders

☐ Confirm your business structure qualifies for the FICA/FUTA exemptions (sole proprietorship or parent-only partnership only).

☐ Confirm the work is age-appropriate and complies with federal and state child labor laws. Hazardous occupations are off-limits regardless of family relationship.

Documentation the IRS Will Want to See

☐ Written job description matching real, age-appropriate duties.

☐ Timesheet showing actual hours worked.

☐ Wages reasonable for the work performed. A 12-year-old earning $40/hour to fold T-shirts will not survive a glance.

☐ Payment from the business account directly to the child or to a custodial account in the child's name. Not to the parent. Not "credited" on a spreadsheet.

☐ W-2 issued at year-end like any other employee.

Tax Treatment

☐ FICA exemption applies for child under 18 (if structure qualifies).

☐ FUTA exemption applies for child under 21 (if structure qualifies).

☐ Wages are deductible to the business and taxable to the child, who gets the full standard deduction ($15,000 in 2025; the 2026 figure adjusts for inflation) before owing federal income tax.

☐ The child can contribute earned income to a Roth IRA — a significant long-term benefit worth flagging to the family CPA.

Phase 5: Quarterly and Annual Filing

Quarterly

☐ File Form 941 by the last day of the month following each quarter:

- Q1 (Jan–Mar): due April 30
- Q2 (Apr–Jun): due July 31
- Q3 (Jul–Sep): due Oct. 31
- Q4 (Oct–Dec): due Jan. 31

☐ If you only employ workers seasonally, mark the seasonal employer box on Form 941. This lets you skip filing in quarters with no wages paid.

☐ File your state's quarterly payroll tax return on its schedule.

Annual

☐ File Form 940 (FUTA) by Jan. 31 of the following year. Standard rate is 6% on the first $7,000 of each employee's wages, reduced to 0.6% with the state unemployment tax credit. *Exception: wages to your child under 21 (if structure qualifies) are FUTA-exempt.*

☐ Provide W-2s to all summer workers by Jan. 31, even if they earned $1 from you and you never saw them again.

☐ File W-2 copies with the Social Security Administration by Jan. 31 (electronic filing required if you have 10 or more information returns).

The Penalty You Need to Know About

The Trust Fund Recovery Penalty (IRC Section 6672) allows the IRS to hold any "responsible person" personally liable for 100% of unpaid employee withholdings. An LLC or corporation does not protect you. The penalty survives bankruptcy in most cases. Deposit on time, every time.

When to Get Professional Help

Situation	Who to hire

First-time employer, any worker	Payroll service or CPA before first paycheck
Hiring your own child	CPA familiar with family employment rules
Worker classification you're genuinely unsure about	Tax professional or Form SS-8
Multi-state summer help (e.g., remote college student in another state)	Payroll professional — state rules vary
Industry with specific child labor restrictions	Attorney familiar with your industry

This checklist is for informational and planning purposes only and does not constitute professional tax or financial advice. Tax laws change frequently. Always verify current requirements at irs.gov, the U.S. Department of Labor's Youth Rules page, and your state's department of revenue. TaxStache · taxstache.com · For the 2026 tax year (returns filed in 2027).