

Calculating The Cost Of Childcare

Expert # __ is an attorney specializing in legal and tax issues concerning household employers, domestic employees, and domestic employment agencies. He is familiar with compensation, confidentiality, job duties, standards of care, industry practices, and other employment issues regarding nannies, elder care providers, personal assistants, personal chefs, butlers, household managers, and agencies. The expert has testified as an expert witness in a divorce case regarding the costs of wages, taxes, and other fees in employing and paying nannies, and served as an expert in calculating damages, penalties, and interest in a case of unpaid wages and overtime for a household employee. He has written and lectured on household employment legal and tax issues and been featured in national and local media.

Calculating the cost of childcare in divorce proceedings can be a complicated endeavor. And if all the costs are not included in the analysis, your client could lose out on a substantial amount of money.

While simply adding up the monthly costs of daycare can be relatively straightforward, the costs of hiring a nanny are numerous and by no means obvious. Indeed, if you simply penciled in the amount of the nanny's annual compensation, you would significantly underestimate the cost of hiring and employing the nanny.

First, you must consider the cost of hiring a qualified domestic employment agency (often referred to as a nanny agency) to begin a search. Agencies typically charge an initial registration fee of \$100 to \$250 dollars, and then charge anywhere from 14-18% of the nanny's annual compensation (including the value of room and board and benefits such as insurance) as a placement fee. With a nanny making approximately \$35,000 per year or more, the agency's placement fee alone likely will exceed \$5,000.

In addition, many families run background checks on employees, and it is not uncommon for families to require physicals or drug testing as well. The cost of these background checks, medical exams and drug testing is usually several hundred dollars but can be more depending on the extensiveness of the testing.

Once the family hires the nanny, her compensation (including but not limited to wages, meals, insurance, or other benefits and amenities provided to the nanny) is the largest component of the cost of childcare. Remember as well that nannies often receive holiday or annual bonuses, and this compensation should be included in the childcare cost as well.

In addition to these compensation costs, because the family is almost always the nanny's employer (nannies are virtually never independent contractors), the cost of childcare also should include the cost of the employer's share of taxes on the nanny's compensation.

These taxes include 6.2% of the nanny's wages for Social Security (on wages up to \$102,000 for 2008) and 1.45% of the nanny's wages for Medicare (taxable on all wages), as well as a variety of smaller federal and state taxes. In total, these taxes can amount to approximately an additional 9% of the nanny's compensation.

Due to the complexity and effort required to report and pay these payroll taxes, many families hire lawyers, accountants or payroll services to handle these tasks for them. The cost of these services also should be included in the overall childcare cost.

Finally, there are insurance costs that should be considered as well. Many states require household employers to provide worker's compensation insurance for nannies and other household employees. Similarly, if the nanny is going to be driving the family's or even her own car in the course of her employment, the family also should obtain appropriate auto insurance as well. Again, the costs of both worker's compensation and auto insurance should be included in the childcare cost analysis.

A qualified expert witness can assist family law attorneys in calculating these childcare costs. An appropriate expert can provide data on typical nanny compensation in a given geographic area as well as the range of nanny agency fees in the region. She/he should also be able to attest to the taxes, payroll and insurance costs from firsthand experience with the domestic employment industry.

The best expert resource for this testimony is an individual with a thorough knowledge of entire domestic employment industry including employees, agencies, taxes, payroll and insurance. The expert should be able to testify to the entire range of subjects and ultimately provide the client with a comprehensive and effective childcare cost report.

Employing such an expert can dramatically increase your client's recovery for childcare costs by ensuring that all costs of childcare are accurately included in the analysis.

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