






About this strategy

Parents who employ their child in a closely held business can lower their business income, reduce their income taxes, and allow their children to earn their own income. Revenue rulings and case law have established that the business can deduct wage payments made to the child as long as they are a bona fide employee, their compensation is reasonable, and they actually render services to the business.

Strategy requirements

- The taxpayer and/or spouse should have a closely held business.
- The child must be a bona fide employee of the closely held business.
- Compensation to the child must be reasonable for the tasks performed.
- Services provided by the child/employee must benefit the closely held business.-
- The child must be between the ages of 10 and 18.

Resources

 Learning course 	 Learning course 	 Learning course 
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[Tax strategies: Hire your family](#)

[See how this strategy works in Intuit Tax Advisor](#)

[Tax Strategies: Schedule C to S Corporation \(Entity Choice\)](#)

Taxpayer this applies to

Taxpayers that have dependents and a closely held business in the form of a Schedule C, LLC, or a partnership where the parents are partners.

Ready to put this strategy in action?

Get started with Intuit Tax Advisor now with 3 free credits.

Or call our advisory experts at **888-845-6079** for a fast, free consultation.