If you employ your child in a business you own, the main differences are in FICA and FUTA treatment, and the result depends heavily on the legal form of the business. For a parent-owned sole proprietorship, or a partnership in which each partner is a parent of the child, wages paid to a child under age 18 are exempt from social security and Medicare taxes, and wages paid to a child under age 21 are exempt from FUTA tax. Those wages are still generally subject to federal income tax withholding unless an exception applies. [4] [5] [7]

Because you asked about children "under 19," the practical rule is:

- **under age 18: generally exempt from FICA in the qualifying parent-owned business structure; [4]**
- age 18: FICA generally applies, but FUTA still does not apply until age 21 in that same qualifying structure. [4] [1]

Statutory framework:

- IRC section 3121 excludes from FICA "Subsection 3121(b)(3): ... Services performed by a son or daughter under the age of 21 in the employ of his or her father or mother," but that broad wording is narrowed by the wage exclusion rules and IRS guidance so that, in a parent's trade or business, the operative rule is no social security and Medicare tax until age 18, with a different rule for domestic/nonbusiness work until age 21. [3] [4]
- IRC section 3306 and the regulations exclude from FUTA services performed by a son or daughter under age 21 in the employ of a parent. [2]
- Publication 15 states that payments for services of a child under age 18 working for a parent in a trade or business that is a sole proprietorship or a partnership where each partner is a parent are not subject to social security and Medicare taxes, and payments for services of a child under age 21 working for a parent are not subject to FUTA tax. [4]

Application by entity type:

- Sole proprietorship owned by a parent:
    - child under 18: no social security or Medicare tax; [4]
    - child under 21: no FUTA tax; [4] [2]
    - wages generally still subject to federal income tax withholding. [4]
- Partnership where each partner is a parent of the child:
    - same favorable treatment as above. [4] [3]
- Corporation, including one controlled by the parent:
    - no family exception; wages are subject to income tax withholding, social security, Medicare, and FUTA taxes regardless of the child's age. [4] [2] [7]
- Partnership where not every partner is a parent of the child:
    - no family exception; regular payroll taxes apply. [4] [7]

Important age distinction:

- **If your child is 17 or younger and you operate as a sole proprietorship or qualifying parent-only partnership, the wages are generally exempt from FICA and FUTA.** [4]

- If your child is 18, the FICA exemption generally ends, but the FUTA exemption continues until age 21. [4]
- If your child is 19 or 20, FICA applies, but FUTA still does not apply in the qualifying parent-owned structure. [4]

Income tax withholding:

- The family relationship does not generally exempt wages from federal income tax withholding in the parent's trade or business. Publication 15 states that payments for services of a child of any age who works for a parent are generally subject to income tax withholding unless the payments are for domestic work in the parent's home or certain small nonbusiness payments. [4]
- So, for a regular operating business, the child is still an employee for withholding purposes even where FICA and FUTA exemptions apply. [4]

Other payroll and reporting points:

- You still generally issue Form W-2 for employee wages. [4]
- The wages must be for real services and reasonable compensation. The sources here do not elaborate extensively on reasonableness in this context, but they consistently treat the child as an employee only where there is an actual employment relationship. [4]
- If the business is operated by spouses as a qualified joint venture, the employment tax reporting may be done by either spouse's sole proprietorship EIN, and the family-employee rules can still matter because the spouses are treated as sole proprietors rather than as a partnership for federal tax purposes. [4] [6]

One nuance from the regulations:

- For the family exception to apply in a partnership, the required family relationship must exist between the employee and each partner. [2] [3]
- Services performed in the employ of a corporation generally do not qualify for the family exception. [2] [3]

So the concise practitioner answer is:

1. If you own the business directly as a sole proprietor, or through a partnership where every partner is the child's parent, wages to a child under 18 are generally exempt from social security and Medicare taxes, and wages to a child under 21 are exempt from FUTA. [4]
2. Those wages are still generally subject to federal income tax withholding. [4]
3. If the business is a corporation, or a partnership that includes a nonparent partner, the exemptions generally do not apply and regular payroll taxes apply. [4] [7]

Conclusion: the key difference when employing your child under 19 is usually payroll tax relief, but only if the business is owned in the right form. For a sole proprietorship or parent-only partnership, a child under 18 is generally exempt from FICA and a child under 21 is exempt from FUTA; for an incorporated business, those exemptions generally disappear. Federal income tax withholding generally still applies. [4] [2]