RETHINKING THE NANNY TAX: A COMPARATIVE ANALYSIS OF THE FORMALIZATION AND MARKETIZATION OF DOMESTIC LABOR

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INTRODUCTION

The International Labour Organization reports that in 2024, the female labor force participation rate in the United States stood at 56.6%, only 7.5% higher than the global average of 49.1%.[1] Research indicates a negative correlation between women's participation in labor markets and the time demands of unpaid household services, which includes "care of person, housework and voluntary community work."[2] Scholars have long recognized the productive nature of household activities and the market value of productive household labor.[3] If incorporated into gross domestic product (GDP), it would have added approximately $3.8 trillion to the U.S. economy in 2010.[4]

Government support for the marketization of domestic work—that is, shifting unpaid domestic work into the formal paid economy[5]—could enhance productivity in both the private and public spheres while also alleviating the burden of

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1. Esteban Ortiz-Ospina, Sandra Tzvetkova, & Max Roser, *Women's Employment*, OUR WORLD IN DATA, https://perma.cc/L4G8-HLUJ (last updated Mar. 2024).

2. *Id.*

3. Nancy C. Staudt, *Taxing Housework*, 84 GEO. L.J. 1571, 1624–27 (1996).

4. *What is the Value of Household Work?*, U.S. DEP'T OF COM., BUREAU OF ECON. ANALYSIS (Jun. 11, 2012), https://perma.cc/KF8G-MNKQ.

5. Nickela Anderson & Karen D. Hughes, *The Business of Caring: Women's Self-Employment and the Marketization of Care*, 17 GENDER, WORK & ORG. 381, 381–82 (2010) (defining marketization of care).

unpaid domestic labor, advancing gender equality.[6] For example, some European countries have taken steps in this direction by offering tax credits or deductions for outsourcing domestic work, paired with legal protections for domestic workers through formal contracts.[7] These policies offer a potential model for how states can both support families and safeguard labor rights. However, the marketization of domestic labor in the U.S. presents complex challenges due to its deep ties to race and immigration status.[8] According to statistics published by the Economic Policy Institute, as of 2021, a majority (56.6%) of domestic workers were Black, Hispanic, or Asian American and Pacific Islander.[9] Additionally, foreign-born noncitizens were overrepresented in all domestic worker occupations, particularly in the house cleaner sector, where they constitute 49.9% of workers.[10]

How can tax and immigration policies be designed to formalize and marketize domestic labor while protecting workers' rights and preventing stereotypes of servitude? In this context, formality refers to economic activities regulated by the government, including tax compliance and labor regulations.[11] In contrast, informality involves under-the-table payments—wages paid in cash without official records or tax reporting—with minimal government oversight and tax enforcement, often resulting in precarious and unprotected working conditions.[12] Domestic work includes not only childcare but also cleaning, laundry, elder care, and other household services. Currently, the domestic work industry in the U.S. remains largely informal.[13] Despite the growing demand for childcare and the aging population, the country is facing what the National Domestic Workers Alliance (NDWA) refers to as a "care crisis."[14] Specifically, low-income households—especially those headed by single working mothers—have limited access to care and are forced to shoulder a "double workday," balancing paid employment with household labor.[15] At the same time, domestic workers are underpaid, vulnerable to exploitation, and, for undocumented workers,

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6. *See* Sumika Yamane, *Gender equality, paid and unpaid care and domestic work: Disadvantages of state-supported marketization of care and domestic work*, 47 THE JAPANESE POL. ECON. 44, 44–45 (2021).

7. *Id.* at 50.

8. *See* Taunya Lovell Banks, *Toward a Global Critical Feminist Vision: Domestic Work and the Nanny Tax Debate*, 3 J. GENDER, RACE & JUST. 1, 25 (1999).

9. ASHA BANERJEE, KATHERINE DECOURCY, KYLE K. MOORE & JULIA WOLFE, DOMESTIC WORKERS CHARTBOOK 2022: A COMPREHENSIVE LOOK AT THE DEMOGRAPHICS, WAGES, BENEFITS, AND POVERTY RATES OF THE PROFESSIONALS WHO CARE FOR OUR FAMILY MEMBERS AND CLEAN OUR HOMES 8–9 (Econ. Pol'y Inst. 2021), https://perma.cc/A44J-QCDM.

10. *Id.* at 12–13.

11. Ariel Jurow Kleiman, Shayak Sarkar, & Emily Satterthwaite, *Taxing Nannies*, 110 IOWA L. REV. 111, 114 (2024).

12. *Id.* at 114–15; Luis Eduardo Guarnizo & Guadalupe Rodriguez, *Paid domestic work, globalization, and informality*, 23 POPULATION SPACE PLACE 1, 3 (2017).

13. *See* Kleiman, Sarkar, & Satterthwaite, *supra* note 11, at 114; *see also* Guarnizo & Rodriguez, *supra* note 12, at 12 (concluding that domestic work is informal across the board in the Sacramento area).

14. *Transforming Care Work*, NAT'L DOMESTIC WORKERS ALL., https://perma.cc/TP7B-F6BL.

15. *Id.*; Staudt, *supra* note 3, at 1581; Guarnizo & Rodriguez, *supra* note 12, at 12 ("While household care deficit is experienced by almost half the households sampled, only those with resources are able to pay for domestic work.").

face the added challenges around immigration.[16] Given the potential for formalizing and marketizing care work to increase GDP, advance gender equity and alleviate the care crisis, there is a clear need for reform. Policy solutions—specifically reforms to tax credits for families hiring domestic help and more inclusive immigration policies—could enhance tax compliance, expand access to care services, and improve conditions for domestic workers, especially foreign non-citizens.

Part I of this Note explores the complexities of the "Nanny Tax," the federal and state employment tax obligations placed on families who hire domestic workers.[17] It highlights the tax's low compliance rates and the limited legal protections afforded to domestic workers, particularly non-citizen laborers. Part II offers a comparative analysis of domestic labor policies in Sweden and Canada, examining their approaches to taxation, labor protections, and the intersection of migration and care work. Drawing on Sweden's model for industry formalization and Canada's approach to immigration, Part III proposes a hybrid model for the U.S. This model advocates for refundable tax credits, which would make care services more affordable for families with the most need, and the passage of a National Domestic Workers Bill of Rights. Furthermore, creating a pathway to citizenship for migrant workers would strengthen labor protections and promote long-term stability. Ultimately, this Note calls for a reimagining of the Nanny Tax to establish a more equitable, accessible, and formalized domestic labor system.

I. DOMESTIC WORKERS IN THE UNITED STATES

In December 1992, Zoe Baird became the first woman nominated for U.S. Attorney General by President Bill Clinton.[18] However, her nomination was later withdrawn after it was revealed that she had failed to pay Social Security taxes for her undocumented live-in childcare worker.[19] This controversy, widely known as "Nannygate," led Congress to pass the Social Security Domestic Employment Reform Act of 1994, commonly called the Nanny Tax, in October 1994.[20] The Nanny Tax introduced Section 3510 to the Internal Revenue Code, streamlining the collection of domestic employment taxes alongside income taxes.[21] One of its key provisions was the adjustment of the threshold for employers' tax obligations under the Federal Insurance Contributions Act (FICA), which includes Social Security and Medicare taxes.[22] It raised the threshold from $50 per quarter to $1,000 per year, reducing the tax reporting burden by shifting filings to an annual

16. *Transforming Care Work*, *supra* note 14; Banks, *supra* note 8, at 31; *see also* Kleiman, Sarkar, & Satterthwaite, *supra* note 11, at 154–55 (discussing why certain nannies prefer informality).

17. Brian Erard, *Who Is Minding the Nanny Tax?*, 2018 IRS-TPC RSCH. CONF. 189, 189 (defining the "Nanny Tax").

18. Banks, *supra* note 8, at 2.

19. *Id.* at 2.

20. *Id.*

21. *House Passes Nanny Tax Bill, 423-0*, TAXNOTES (Oct. 6, 1994), https://perma.cc/A54Z-NDT9 [hereinafter *Nanny Tax Bill*]; *see also* 26 U.S.C.A. § 3510 (West, Westlaw through P.L. 119-73).

22. *Nanny Tax Bill*, *supra* note 21.

basis.[23] Adjusted for inflation, this threshold increased to $2,800 in 2025.[24] The Nanny Tax also addressed the Federal Unemployment Tax Act (FUTA), requiring employers to pay FUTA tax on the first $7,000 of cash wages if they compensated household employees more than $1,000 in any quarter of the current or previous calendar year.[25] Employers who are subject to FICA or FUTA taxes, or who withhold federal income tax from their household employees' wages, must file Schedule H (Form 1040) for Household Employment Taxes.[26]

Despite its intention to simplify tax reporting for household employers,[27] the Nanny Tax has contributed to a persistently low compliance rate due to the complexity of the system and the minimal risk of enforcement.[28] For many households, taking on the legal responsibilities of being an employer—especially without professional guidance—can be overwhelming. Beyond payroll taxes such as FICA and FUTA, household employers must navigate an array of administrative requirements, including filing an I-9 form to verify an employee's immigration status, obtaining an employer identification number, and ensuring compliance with state workers' compensation requirements.[29] Even tax professionals encounter difficulties reconciling state and federal reporting obligations, highlighting the intricate nature of the process.[30] Qualitative data further suggests that noncompliance is partly rooted in a knowledge gap. Some household employers may be unaware that hiring a nanny classifies them as employers for tax purposes.[31] Others may receive incorrect advice and mistakenly provide their employee with a Form 1099 instead of a W-2, misclassifying the nanny as an independent contractor and inadvertently avoiding payroll tax and unemployment insurance obligations.[32]

Compliance with Schedule H filing has steadily declined over the years. The number of taxpayers submitting Schedule H peaked at 310,367 in 1997 but dropped to fewer than 191,000 by 2015.[33] A study further underscores this trend, revealing that only 5.3% of household employers properly file Schedule H and

23. *Id.*

24. INTERNAL REVENUE SERV., TOPIC NO. 756, EMPLOYMENT TAXES FOR HOUSEHOLD EMPLOYEES, https://perma.cc/ZAR7-RVWM (last updated Jan. 3, 2025).

25. *Id.*

26. *Id.* (noting that employers generally withhold 6.2% of cash wages for Social Security taxes, 1.45% for Medicare tax, and do not withhold the FUTA tax from employee wages).

27. Banks, *supra* note 8, at 15 ("[T]he mainstream legislative and public debate focused on the problems faced by employers—well-to-do women and their husbands—not household workers . . .").

28. Ron Lieber, *Doing the Right Thing by Paying the Nanny Tax*, N.Y. TIMES (Jan. 23, 2009), https://perma.cc/3U3N-4BYT.

29. *Id.*

30. Adam N. Michel, *Congress Should Fix the Nanny Tax*, CATO INST. BLOG (Feb. 23, 2024), https://perma.cc/55N9-ZGHL; Kleiman, Sarkar, & Satterthwaite., *supra* note 11, at 127–28. Although the IRS outlines guidelines in its Publication 926, *Household Employer's Tax Guide*, it is inadequate, for example, in classifying the distinction between household employees and independent contractors. Erard, *supra* note 17, at 202–04; *see also* INTERNAL REVENUE SERV., PUBLICATION 926 (2025), HOUSEHOLD EMPLOYER'S TAX GUIDE, https://perma.cc/M2E9-4FKQ (last updated Dec. 19, 2024).

31. Kleiman, Sarkar, & Satterthwaite, *supra* note 11, at 152.

32. *Id.* at 117–18, 128, 152.

33. Lieber, *supra* note 28; Erard, *supra* note 17, at 191.

remit the necessary payroll taxes for their domestic employees.[34] This widespread noncompliance has contributed to a significant revenue gap. Estimates from 2015 suggest that household employers failed to pay between $2.4 billion and $4 billion in federal payroll taxes, while an additional $979 million to $1.7 billion in federal individual income taxes went uncollected from domestic workers when paid under the table.[35]

Paradoxically, although the Nanny Tax was designed to streamline employer obligations, its complexity has had the opposite effect. It discourages families from directly hiring flexible third-party domestic workers through tax penalties and instead pushes them toward institutional services, like center-based childcare, which can be significantly more expensive.[36] Additionally, limited tax benefits for home care further strain household budgets. For instance, both the Child Tax Credit and the Child and Dependent Care Tax Credit are not fully refundable, meaning families with little or no tax liability do not receive their full value.[37] Consequently, rather than fostering a transparent and accessible system for domestic employment, existing tax laws inadvertently drive up the cost of household services, making childcare and home care increasingly unaffordable for many families.[38]

Accompanied by the complexity of the tax system for household employers is the lack of regulation and limited protection for domestic workers, which leaves them particularly vulnerable. Domestic workers have historically been excluded from fundamental labor protections, a reality that dates back to the Progressive Era and the New Deal.[39] Throughout the late nineteenth and early twentieth centuries, the household labor movement sought to secure recognition for domestic service as a "regulated employment relationship."[40] Despite sustained advocacy, reformers failed to persuade legislatures and middle-class employers to establish comprehensive domestic labor protections. As a result, domestic workers were excluded from critical labor laws such as the National Labor Relations Act (NLRA), the Fair Labor Standards Act (FLSA), and the Occupational Safety and Health Act (OSHA).[41] In fact, the reformers themselves acknowledged the necessity of contractual employment relationships, but many remained ambivalent about fully recognizing paid domestic workers as rights-bearing employees.[42] Instead, the primary objective of these efforts was to ensure the continued

34. Erard, *supra* note 17, at 189.
35. *Id.* at 189, 198–99.
36. Michel, *supra* note 30.
37. Mary Louise Fellows, *Rocking the Tax Code: A Case Study of Employment-Related Child-Care Expenditures*, 10 YALE J.L. & FEMINISM 307, 314 (1998); Elaine Maag, Amy Matsui, & Kathryn Menefee, *How Refundable Tax Credits Can Advance Gender and Racial Equity*, 76 NAT'L TAX J. 743, 747 (2023).
38. Michel, *supra* note 30.
39. Peggie R. Smith, *Regulating Paid Household Work: Class, Gender, Race, and Agendas of Reform*, 48 AM. U. L. REV. 851, 854 (1999).
40. *Id.* at 859–860, 890.
41. Shayak Sarkar, *The New Legal World of Domestic Work*, 32 YALE J.L. & FEMINISM 1, 14 (2020).
42. Smith, *supra* note 39, at 890.

presence of a domestic workforce that would cater to the needs of middle-class American households, reinforcing an employer-centered agenda rather than securing rights for workers.[43]

Advocacy for domestic workers' rights resurged in the early 21st century with the establishment of the National Domestic Workers Alliance in 2007.[44] The NDWA has been a driving force behind the push for a Domestic Workers Bill of Rights, which seeks to guarantee fundamental labor protections such as minimum wages, overtime pay, safe working conditions, and protection against discrimination and harassment.[45] To date, Domestic Workers Bills of Rights have been enacted in 12 states—New York, California, Hawaii, Massachusetts, Connecticut, Oregon, Illinois, Nevada, New Mexico, Virginia, New Jersey, and Rhode Island—as well as the District of Columbia.[46] However, these efforts should not be seen as the sole solution for safeguarding the rights of domestic workers.[47] Notably, Domestic Workers Bills of Rights do not explicitly address the immigration challenges faced by foreign domestic workers, particularly unauthorized immigrants who are often excluded from social insurance programs and paid informally due to fears of immigration enforcement.[48]

One program that ostensibly provides some protection for foreign care workers is the au pair program, though it does not offer a pathway to citizenship and au pairs are highly susceptible to exploitation. Introduced in 1986 and initially overseen by the U.S. Information Agency (USIA), the program is now administered by the U.S. Department of State (DOS).[49] The au pair program facilitates the entry of young individuals—primarily female—into the U.S. to provide childcare for host families.[50] Marketed as a "cultural exchange" initiative, participants enter the country on J-1 visas, live with host families, and attend educational programs.[51] Au pairs must be between 18 to 26 years old, undergo interviews, pass background checks, demonstrate physical capability, and be proficient in spoken English.[52] In return for their services, au pairs receive "room, board, and a weekly stipend for a period of one to two years."[53] They are permitted to work up to 45 hours per week, with a maximum of 10 hours per day.[54] Compensation is calculated based on the federal minimum wage with a 40% deduction for room and

43. *Id.* at 856–57.
44. *About NDWA*, NAT'L DOMESTIC WORKERS ALL., https://perma.cc/X3CH-WB9Y.
45. *Domestic Workers Bill of Rights*, NAT'L DOMESTIC WORKERS ALL., https://perma.cc/U5RL-JFPT.
46. *Id.*
47. Sarkar, *supra* note 41, at 17.
48. *See, e.g.*, Domestic Worker Bill of Rights, Cal. Lab. Code §§ 1450–1454 (enacted by Assemb. B. 241, Cal. Legis. Serv. Ch. 374, 2013-2014 Reg. Sess.); *see also* Kleiman, Sarkar, & Satterthwaite, *supra* note 11, at 117 & n.33 (noting the immigration challenges faced by undocumented immigrants).
49. Victoria Bejarano Hurst Muirhead, *"I'd Never Let My Sister Do It": Exploitation within the U.S. Au Pair Program*, 26 LEWIS & CLARK L. REV. 241, 242, 249 (2022).
50. Janie A. Chuang, *The U.S. Au Pair Program: Labor Exploitation and the Myth of Cultural Exchange*, 36 HARV. J.L. & GENDER 269, 275 (2013).
51. *Id.* at 275–76.
52. 22 C.F.R. § 62.31(d) (West, Westlaw through Feb. 5, 2026).
53. Chuang, *supra* note 50, at 276.
54. 22 C.F.R. § 62.31(c) (West, Westlaw through Feb. 5, 2026).

board (amounting to $195.75 per week in 2025), along with a $500 tuition stipend for six academic credit hours.[55] While the program is federally regulated, the oversight of au pairs is delegated to private sponsor organizations, primarily non-profits, which are responsible for ensuring compliance with program requirements.[56] These sponsors must verify that au pairs have suitable living accommodations, written agreements outlining obligations and hour limits, and pre-placement interviews with host families.[57]

Despite these regulations, stories from au pairs reveal that they frequently experience labor violations, including wage theft, excessive work hours, and exploitation beyond their childcare responsibilities.[58] Many enter the program expecting an enriching cultural and educational experience, only to be treated as low-cost domestic laborers, often subjected to monotonous and extended workdays.[59] Adding to their financial strain, au pairs are required to pay taxes on their earnings, further reducing their already modest compensation, while host families are exempt from employment taxes such as FICA and FUTA due to the au pairs' nonimmigrant status.[60] Financial dependence, blurred boundaries between the home and the workplace, and limited autonomy make it exceedingly difficult for au pairs to advocate for themselves.[61] The combination of these factors has led to widespread abuse within the program.

Two recent federal cases have offered hope for improved wage protections for au pairs.[62] In *Beltran v. InterExchange, Inc.*, a group of au pairs filed a class-action lawsuit against 15 sponsor agencies, alleging that they had colluded to artificially suppress au pair wages by fixing compensation at the statutory floor, which was the federal minimum wage.[63] The case resulted in a $65.5 million settlement.[64] The district court emphasized that the minimum wage should serve as a floor rather than a ceiling.[65] Similarly, in *Capron v. Office of the Attorney General of Massachusetts*, the First Circuit upheld the district court's ruling that state and local governments can extend legal protections, including minimum wage laws, to au pairs.[66] The court

55. 22 C.F.R. § 62.31(j); Muirhead, *supra* note 49, at 250; U.S. DEP'T OF LABOR, STATE MINIMUM WAGE LAWS, https://perma.cc/3AMG-NDGV (last updated Jan. 1, 2026) (noting the current Federal minimum wage is $7.25 per hour).

56. Chuang, *supra* note 50, at 276.

57. 22 C.F.R. § 62.31(e) (West, Westlaw through Feb. 5, 2026).

58. *See* Chuang, *supra* note 50, at 270; Muirhead, *supra* note 49, at 242–43.

59. Chuang, *supra* note 50, at 286, 311.

60. INTERNAL REVENUE SERV., AU PAIRS, https://perma.cc/C8GS-DGVV.

61. *See* Muirhead, *supra* note 49, at 243, 251, 259.

62. *Id.* at 252.

63. Beltran v. InterExchange, Inc., 176 F.Supp.3d 1066, 1071 (D. Colo. 2016).

64. Muirhead, *supra* note 49, at 252–53.

65. *Beltran*, 176 F. Supp. 3d at 1086; Sarkar, *supra* note 41, at 37.

66. *See* Capron v. Off. of Att'y Gen. of Massachusetts, 944 F.3d 9, 26 (1st Cir. 2019)

> ("It is hardly evident that a federal foreign affairs interest in creating a 'friendly' and 'cooperative' spirit with other nations is advanced by a program of cultural exchange that, by design, would authorize foreign nationals to be paid less than Americans performing similar work. We thus conclude, like the District Court, that the plaintiffs have failed to meet their burden to show that the federal government intended to preempt a field that would encompass the state law measures that they challenge.")

nevertheless noted that it assumed "the DOS would be free to preempt such state laws now by revising the regulations."[67]

While these rulings mark progress in wage protections, the lack of robust monitoring and enforcement by the DOS continues to enable exploitation within the au pair program. Although sponsor agencies are formally responsible for oversight, they lack the expertise and resources necessary to enforce labor standards effectively.[68] Furthermore, the DOS's lax regulations allow these agencies to prioritize the interests of host families—who may enroll in the program multiple times—over the well-being of au pairs.[69] This imbalance further weakens au pairs' bargaining power in their employment relationships.[70] A particularly alarming issue is the power that sponsor agencies wield over au pairs' immigration status. Upon program completion, agencies can designate participants as either "inactive" or "terminated" when reporting to the DOS.[71] An "inactive" status reflects successful program completion, whereas a "terminated" status indicates an au pair's failure to comply with federal regulations—potentially jeopardizing their ability to obtain future U.S. visas and reenter the country.[72] Given the absence of meaningful government oversight and the inadequate support provided by sponsor agencies, many au pairs may fail to recognize exploitative treatment as unjust.[73] Even when they do, the complaint process is deeply flawed, with the DOS frequently failing to document and follow up on reported issues.[74]

The overview of the historical absence of domestic workers' rights and the hardships faced by international domestic workers, particularly through the lens of the au pair program, reveals two key issues hindering the protection of domestic workers: the traditional perception of domestic work as a personal household activity that is ill-suited to government oversight[75] and the employer-worker power imbalance shaped by foreignness and class divisions.[76] First, the public/private dichotomy has long been a barrier for marginalized groups seeking legal protection or recognition via tax law.[77] Since the law primarily safeguards individuals from formal violations, activities designated as "personal" often leave those affected with limited legal recourse.[78] Second, power imbalances are especially pronounced in live-in arrangements such as the au pair program, where the

67. *Id.* at 44.
68. Chuang, *supra* note 50, at 300.
69. *Id.* at 300, 304.
70. *Id.* at 304.
71. *Id.* at 302.
72. *Id.*
73. Muirhead, *supra* note 49, at 258.
74. *Id.* at 262–63.
75. Smith, *supra* note 39, at 854–55.
76. *See id.* at 904 (describing employer's claim to superiority); Sarkar, *supra* note 41, at 11–13.
77. *See* Frances Olsen, *Constitutional Law: Feminist Critiques of the Public/Private Distinction*, 10 CONST. COMMENT. 319 (1993) (discussing the feminist critique of how the public/private distinction has left women unprotected from sexual violence and abuse).
78. *See id.* at 320.

close social proximity between employer and worker can heighten feelings of entitlement and reduce professional boundaries. A study indicates that the more intimate these relationships are, the more likely working conditions are to become precarious.[79] These dynamics underscore the need to reframe domestic labor as a public concern, warranting greater state intervention to enhance oversight and prevent exploitation. As the following section demonstrates, tax and immigration policies can serve as instruments of social control to formalize and marketize the domestic work industry.

II. DOMESTIC WORKERS IN OTHER NATIONS

A. SWEDEN

Praised as a "Land of Equality," Sweden has developed a formal domestic service industry that aims to alleviate the burden on working women. Both Sweden and the U.S. share a historical similarity in that domestic workers were excluded from legal protections. In Sweden, in order to fill the labor shortage for landowners, the *Act on Indentured Service* in 1926 categorized domestic workers as subordinated servants with limited rights and autonomy.[80] However, the 1970s marked a turning point with the passage of the *Domestic Work Act*, which entitled domestic workers to the same rights comparable to other workers.[81] Building on this foundation, policy reforms in the late twentieth and early twenty-first centuries further modernized the sector.

A notable development emerged in 1993 when Anne-Marie Pålsson from the Moderate Party introduced an innovative proposal to provide tax relief for expenses related to hiring household services.[82] The proposal aimed to reduce the size of the informal and black market economy while promoting women's rights by reducing their housework burden.[83] Nevertheless, this idea faced criticism from Social Democrats.[84] Critics argued that the proposed reform would create a new class of low-paid workers, as the care service sector was largely composed of immigrants who lacked social insurance and other labor protections.[85] Despite these concerns, undeclared domestic workers were prevalent in the 1990s, fueled by the au pair program and the free movement of workers.[86] By early 1997, an estimated 90,000 individuals were purchasing domestic labor without paying taxes or social fees, highlighting the need for reform.[87]

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79. Guarnizo & Rodriguez, *supra* note 12, at 12.
80. Catharina Calleman, *Domestic Services in a "Land of Equality": The Case of Sweden*, 23 CAN. J. WOMEN & L. 121, 124 (2011).
81. *Id.* at 126.
82. John R. Bowman & Alyson M. Cole, *Cleaning the 'People's Home': The Politics of the Domestic Service Market in Sweden*, 21 GENDER, WORK & ORG. 187, 189 (2014).
83. *Id.* at 190.
84. *Id.*
85. *Id.*
86. Calleman, *supra* note 80, at 127.
87. *Id.*

The political landscape shifted with the election of the Conservative government in 2006, which ultimately led to the adoption of Pålsson's proposal in 2007.[88] Effective July 1 of that year, the new *Act on Tax Reduction for Domestic Work* introduced a 50% tax deduction[89] on the cost of hiring domestic workers for eligible taxpayers over the age of 18.[90] Known as the RUT tax deduction, this measure covered services such as cleaning, laundry, moving, gardening, and childcare.[91] For instance, if one hired a cleaner at 300 kronor per hour prior to the implementation of the RUT deduction, the effective cost would be reduced to 150 kronor per hour under the new policy.[92] Later, in December 2008, the ROT deduction was introduced, reducing labor costs by 30% for repair and maintenance services.[93] As of 2026, the combined annual maximum for RUT and ROT deductions stands at 75,000 kronor ($7,491)[94], with the ROT deduction limit set at 50,000 kronor ($5,008).[95]

Unlike the American system, Sweden's model relieves families of complex filing responsibilities by treating them as buyers, or clients, rather than employers.[96] Under this model, domestic service providers, including small home services businesses and self-employed individuals, are accountable for administrative duties and corporate taxes.[97] They are also eligible for the RUT deduction, which covers wages, employer contributions, taxes on their own profits, and value-added tax.[98] Providers apply the RUT deduction directly on the invoice, sparing customers from the filing process.[99] To qualify, providers must register with the Swedish Tax Agency and report details such as the number of hours worked, types of services provided, and labor costs.[100]

The implementation of tax deductions for household services in Sweden has had a profound impact on both families and the private market. On the family side, the policy has gained increasing popularity, as reflected in the significant

88. Zenia Hellgren, *Markets, Regimes, and the Role of Stakeholders: Explaining Precariousness of Migrant Domestic/Care Workers in Different Institutional Frameworks*, 22 SOC. POL. 220, 226 (2015).

89. To clarify, while it is referred to as a tax deduction, it does not reduce gross income; instead, the state directly covers half of the housework bill for the taxpayers. For registered businesses, "[t]he amount compensated by the Tax Agency is the difference between the actual payment received from the consumer and total labour costs, including VAT." EUR. PLATFORM UNDECLARED WORK, TAX RELIEF FOR DOMESTIC SERV. WORK (ROT AND RUT) (2019).

90. *Id.*; Calleman, *supra* note 80, at 127.

91. EUR. PLATFORM UNDECLARED WORK, *supra* note 89.

92. Bowman & Cole, *supra* note 82, at 190; *see also* Maddy Savage, *How Sweden is fixing the housework gender gap*, BBC (Mar. 4, 2020), https://perma.cc/PK5W-G4L3 (noting that the hourly rate for hiring a cleaner is typically between 250-400 kronor ($26-$42) before the subsidy).

93. EUR. PLATFORM UNDECLARED WORK, *supra* note 89.

94. This currency was converted using the exchange rate in early 2025; however, due to fluctuations in exchange rates, it may not reflect an accurate current value.

95. *How does the RUT deduction work for cleaning and other services 2026?*, HEMFRID, https://perma.cc/9M6Z-R3L5.

96. *See* Johanna Rickne, *Who cleans my house if the government pays? Refugees, low-educated workers, and long-term unemployed in tax-subsidized domestic service firms*, 11 IZA J. LAB. POL'Y 1, 4 (2021).

97. *Id.* at 5.

98. Rickne, *supra* note 96, at 4.

99. Savage, *supra* note 92.

100. EUR. PLATFORM UNDECLARED WORK, *supra* note 89.

rise in users over time. In 2018, in a country with a population slightly exceeding ten million, nearly one million people utilized the RUT deduction for household services—an enormous increase from just 113,000 in 2009.[101] This growing reliance on formal domestic service providers underscores a societal shift toward a more formalized household work market, with greater acceptance of purchasing declared services.[102]

The policy has been especially beneficial in addressing the challenges posed by an aging population and supporting working women, who are often primary caregivers. The primary clients of this service are elderly individuals, particularly those aged 75 and older.[103] Working women have also found these services highly appealing. A longitudinal study has demonstrated a quasi-linear correlation between outsourced household work and increased earning.[104] For instance, individuals who outsourced household tasks for approximately 40 to 70 hours per year—equivalent to about 2.0–3.5% of a full-time working year—with tax discounts ranging from 5,000 to 14,999 kronor ($501 to $1502), experienced an estimated earnings increase of 2.4–3.6%.[105] Furthermore, a 2011 survey by the Swedish Tax Agency revealed that hiring professionals for domestic work saves an estimated 1.8 times more time than the cost of the hours purchased.[106] Overall, by outsourcing domestic tasks, purchasers, particularly women, have been able to allocate more time to their waged work and leisure activities.

On the market side, the policy has successfully contributed to business growth within the domestic service industry. By 2010, approximately 60% of all home service firms had emerged post the adoption of the act.[107] These businesses range from small enterprises, which pay annual wages below 200,000 kronor, to larger companies with wage bills exceeding 2 million kronor, most of which are owned by women.[108] Many large firms have aspired to be professional service providers.[109] They now equip workers with uniforms and cleaning supplies, standardizing the industry and distinguishing professional services from informal arrangements.[110]

The growth of the formal domestic service sector has also reduced undeclared work and informal employment.[111] A 2020 report by the Employer's Organization for the Swedish Service Sector, indicated that RUT tax deductions had created over

101. Savage, *supra* note 92.

102. EUR. PLATFORM UNDECLARED WORK, *supra* note 89.

103. Bowman & Cole, *supra* note 82, at 191–92.

104. Karin Halldén & Anders Stenberg, *The relationship between hours of outsourced domestic services and female earnings: Evidence from a Swedish tax reform*, 55 RES. SOC. STRATIFICATION & MOBILITY 120, 129 (2018).

105. *Id.* at 128–29. But this relationship weakens when outsourced hours exceed 100 annually. *Id.* at 129.

106. *Id.* at 129.

107. *Id.* at 122.

108. Bowman & Cole, *supra* note 82, at 191.

109. *Id.*

110. *Id.* at 192.

111. *See* Savage, *supra* note 92.

13,000 jobs for individuals previously unemployed or engaged in informal sector work.[112] This initiative has also benefited legal immigrant workers, facilitating their entry into formal employment with improved job security and labor protections.[113] Although the government does not regulate domestic service pricing[114]—leaving it to market forces—workers in tax-subsidized household jobs have experienced financial improvements. According to a Swedish National Audit Office report, between 2011 and 2017, employees in tax-subsidized household services earned, on average, 1,300 kronor ($136) more per month than others with similar backgrounds.[115] Moreover, access to the social insurance program ensures that registered immigrant workers, whether employed by companies or self-employed, receive a range of social benefits, including universal healthcare, 480 days of parental leave, and a state pension, contributing to long-term financial stability.[116]

Workers benefit from collective agreements and union representation, although virtually only in the largest firms.[117] Unlike informal domestic work arrangements, unionized employees are protected in terms of wages and working conditions, reducing the risk of exploitation. Leading firms have implemented measures to prevent worker abuse, such as prohibiting potentially dangerous tasks like cleaning exterior windows and setting clear boundaries regarding intimate duties, such as handling customers' dirty laundry.[118] Additionally, supervisors conduct home visits before initiating services to assess required tasks, enhancing transparency and worker protection.[119] Employees also enjoy a degree of autonomy in decision-making, contributing to job satisfaction and professional respect.[120] Despite the potential for employer-employee relationships to become personal in a household setting, formal contracts and company protections help minimize power imbalances. In some cases, firms have even terminated customer contracts in response to worker mistreatment, such as customers making ethnically offensive remarks like "Polish people running around the house."[121] These proactive measures ensure a dignified work environment and reinforce professional boundaries within the domestic service sector.

Notwithstanding these advantages, challenges persist, particularly for employees in smaller businesses without signed collective agreements for union representation. In 2014, only about 15% of domestic workers in even the largest firms were unionized, as Kommunal, the Swedish trade union representing these workers, affiliates workers only if they are formally employed by companies with collective

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112. *Id.*
113. *Id.*; Rickne, *supra* note 96, at 7.
114. Rickne, *supra* note 96, at 6.
115. Savage, *supra* note 92.
116. *Id.*
117. Bowman & Cole, *supra* note 82, at 192. *But see* Rickne, *supra* note 96, at 7 ("Researchers have observed how a high degree of competition and low unionization push work conditions downward, especially in small firms.").
118. Bowman & Cole, *supra* note 82, at 191.
119. *Id.* at 192.
120. *See id.* at 192–93.
121. *Id.*

agreements.[122] Without representation, many domestic workers—especially undocumented migrants—face limited access to labor rights and risk underemployment.[123] Kommunal itself faces internal struggles. While aiming to include all domestic workers, it has difficulty organizing migrant workers due to a lack of advocacy to recognize their right to stay and work in Sweden.[124] Moreover, the union's historical ties to the Social Democratic Party, which has opposed the RUT system, further complicate efforts to expand protection for these workers.[125] Ideologically, the union views RUT as a revival of the old master-servant divide, making progress for unionization challenging.[126]

The policy has also been largely ineffective in addressing employment challenges for refugees and undocumented migrant workers. Refugees continue to struggle with high unemployment rates.[127] A study by Johanna Rickne found that "[d]espite offering jobs with low requirements for language skills and labor market experience, subsidized firms have not been more likely to employ people with a refugee background than the average private firm, and have been substantially less likely to do so than other sectors with a predominance of elementary jobs."[128] One possible explanation for this disparity is the role of co-ethnic hiring.[129] EU immigrants account for more than one-third of employment in subsidized firms, and companies under their management tend to recruit primarily from their own ethnic networks while employing relatively few refugees.[130] This hiring pattern suggests that, despite government incentives, social networks and ethnic affiliations continue to shape employment opportunities, limiting access for refugees in the subsidized domestic service sector. Undocumented migrants face even greater challenges, often living in deep marginalization and instability while avoiding authorities and institutions.[131] Political interest in improving the situation of undocumented migrant domestic workers remains low.[132] Recent Swedish policies have become increasingly restrictive toward immigrants under the current center-right government, with stricter asylum legislation designed to reduce undocumented immigration, making the future even more challenging for refugees and undocumented migrants.[133]

Ultimately, the Swedish model of tax deductions for household services has benefited working families seeking to outsource on domestic work, provided

122. Hellgren, *supra* note 88, at 232.
123. *Id.* at 229.
124. *See id.* at 233, 237.
125. *See id.* at 226, 237.
126. *Id.* at 237.
127. Rickne, *supra* note 96, at 14.
128. *Id.*
129. *Id.* at 22.
130. *Id.* at 15, 22.
131. *See* Hellgren, *supra* note 88, at 230.
132. *Id.* at 236.
133. Holly Ellyatt, *Sweden told people to open their hearts to immigrants 10 years ago. Its U-turn has been dramatic*, CNBC (Oct. 7, 2024), https://perma.cc/TFB6-TWAW.

stability for workers in large firms, and facilitated legal immigrants' integration into society. However, it has done little to support refugees and undocumented migrant workers, who continue to face significant barriers in accessing formal employment and labor protections.

B. CANADA

Since the 19th century, Canada has actively recruited migrant domestic workers to meet the growing demand for household labor, implementing immigration policies to regulate their status.[134] Before World War I, British women were targeted for recruitment and were granted landed immigrant status upon completing six months of live-in caregiving.[135] As British workers became scarce, recruitment expanded to include other Europeans.[136] By the 1950s, the Caribbean Domestic Scheme required one year of service for eligibility for permanent residency.[137] In the 1970s, as female labor force participation in Canada increased, so did the demand for domestic workers.[138] In response, Canada introduced the Non-Immigrant Employment Authorization Program, which allowed migrant domestic workers to stay temporarily but did not provide a pathway to permanent residency.[139] Following reports of abuse and concerns over poor working conditions, the Foreign Domestic Movement program was introduced in 1981, granting caregivers eligibility for permanent residency after two years of live-in work.[140] This shift in policy also redirected the primary source of recruitment from the Caribbean to the Philippines driven by labor shortages in the sector and a surplus of low-wage Filipino women in the global labor market.[141]

In 1992, the Foreign Domestic Movement program was replaced by the Live-in Caregiver Program (LCP), which allowed migrant caregivers to enter Canada with a renewable employment authorization visa.[142] However, criticisms surrounding the lack of labor rights for migrant workers and exploitative conditions led to the discontinuation of the LCP in 2014.[143] In its place, Canada introduced the Home Child Care Provider Pilot and Home Support Worker Pilot in 2019.[144] These programs removed the live-in requirement and aimed to provide a clearer

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134. Ping-Chun Hsiung & Katherine Nichol, *Policies on and Experiences of Foreign Domestic Workers in Canada*, 4 SOCIO. COMPASS 766, 766–67 (2010).

135. *Id.* at 767.

136. *Id.*

137. *Id.*

138. *Id.*

139. *Id.*

140. *Id.* at 767–68

141. *Id.* at 768; Patricia M. Daenzer, *An Affair between Nations: International Relations and the Movement of Household Service Workers*, *in* NOT ONE OF THE FAMILY 81, 82, 87 (Abigail B. Bakan & Daiva Stasiulis eds., 1997).

142. Hsiung & Nichol, *supra* note 134, at 768.

143. *See* Jill Hanley, Lindsay Larios, & Jah-Hon Koo, *Does Canada "Care" about Migrant Caregivers? Implications under the Reformed Caregiver Program*, 49 CAN. ETHNIC STUD. J. 121, 122 (2017).

144. *Launching 2 new pilots: Home Child Care Provider and Home Support Worker*, GOV'T OF CAN. (Jun. 15, 2019), https://perma.cc/DPE4-EGST.

route to permanent residency, though applicants still needed to complete a certain number of months of full-time work in Canada before applying.[145] The pilots closed in 2024, paving the way for the launch of the Home Care Worker Immigration pilots. [146] The Workers in Canada stream opened on March 31, 2025 for caregivers already employed in Canada, and the stream for applicants outside the country is expected to open at a later date.[147] These new pilots eliminate the in-Canada work experience requirement and offer permanent residency upon arrival.[148] Yet, with a limited number of spots available on a first-come, first-served basis, the application portal reportedly crashed immediately after opening, causing significant stress—particularly for out-of-status caregivers.[149]

The structure of Canada's caregiver programs may promote better compliance with tax regulations compared to the U.S. system. While both countries impose employer obligations on families hiring domestic workers, Canada's provision of pathways to citizenship may encourage formal work by increasing the proportion of documented caregivers.[150] Families are thus less likely to hire unauthorized workers and more inclined to comply with payroll tax obligations.[151] Additionally, the subsidies and tax benefits available to Canadian families could help them offset the costs of hiring caregivers, making legal employment a more feasible option.

Similar to those in the U.S., Canadian employers must obtain a business number from the Canada Revenue Agency (CRA) to remit income taxes and contribute to the Canada Pension Plan and Employment Insurance.[152] Employers are also required to issue employees a T4 slip (Statement of Remuneration Paid) at the end of each tax year for them to file their annual income tax return and submit a copy to the CRA.[153] Furthermore, many provinces mandate contributions to workplace safety, such as those under Workers' Compensation programs.[154] Beyond these employer responsibilities, Canadian households benefit from greater government support, particularly in childcare. While not directly tied to

145. *Id.*; *Closed: Home Child Care Provider Pilot and Home Support Worker Pilot*, GOV'T OF CAN., (Nov. 21, 2025), https://perma.cc/HY5P-JJR4 [hereinafter *Home Child Care Provider Pilot*].

146. *Home Child Care Provider Pilot*, *supra* note 145.

147. *Immigrate through the Home Care Worker Immigration pilots*, GOV'T OF CAN., (Dec. 19, 2025), https://perma.cc/4WUA-D6VF.

148. *Home Care Worker Immigration Pilots*, CANADAVISA (last updated Dec. 11, 2025), https://perma.cc/2TY4-VNNV; Michelle Gamage, *New Program Grants Permanent Residency to Home Care Workers*, THE TYEE (Mar. 7, 2025), https://perma.cc/M97P-4RFE.

149. Eivy Joy Quito, *IRCC's Home Care Pilot Shut Thousands Out Despite High Demand, Say Experts*, IMMIGCANADA (Apr. 4, 2025), https://perma.cc/LBX2-ZDA2.

150. Kleiman, Sarkar, & Satterthwaite, *supra* note 11, at 162.

151. *See* Erard, *supra* note 17, at 204 ("As for household employers [in the U.S.] who do knowingly hire unauthorized domestic workers, there is often a misconception that the lack of legal work authorization exempts them from payroll tax requirements.").

152. *Live-in caregiver Program: After You Apply*, GOV'T OF CAN. (Aug. 29, 2023), https://perma.cc/FQG8-RZSS.

153. *Id.*

154. *Id.*

hiring a caregiver, Canada provides the Canada Child Benefit.[155] Unlike the non-refundable childcare tax credits available in the U.S, Canada Child Benefit is a direct nontaxable monthly deposit to households, calculated based on their income from the previous year.[156] Eligible families can receive up to $7,787 CAD ($5,445 USD) per child under six and $6,570 CAD ($4,594 USD) per child aged six to seventeen, with no restrictions on how the funds are used.[157] In addition to the Canada Child Benefit, families can claim the Child Care Expense Deduction, which provides tax relief for parents who pay for childcare services, including hiring a nanny, to work or pursue education.[158] The deduction amount varies based on the child's age and eligibility for the disability tax credit.[159]

While Canadian families benefit from caregiver programs, migrant domestic workers continue to face abuses and exploitation despite various policy developments. A key reason for this persistent issue is that the program fails to address the global inequalities underpinning migrant labor, specifically within the framework of the global care chain.[160] The global care chain refers to "the series of personal links between people across the globe based on paid or unpaid care."[161] It highlights a "transnational economy of domestic labor," where women from low-income countries migrate to high-income nations like Canada to fill the shortage of care workers, often at the expense of their own needs and families left behind.[162] Since the introduction of the Foreign Domestic Movement program, the majority of migrant caregivers in Canada have been women from the Philippines, the world's largest exporter of care workers.[163] Economic conditions, such as massive foreign debt and high unemployment rates, and gender-related issues in their home country push many Filipino women to migrate in search of better financial opportunities and independence.[164] However, Canada's caregiver programs have historically been shaped by the interests of the elite rather than a genuine effort to integrate migrant workers into Canadian society.[165] Restrictions on citizenship rights and inability to unionize have been used to suppress labor

155. *Year-End Tax Planning for Families with Nannies and Caregivers: Maximizing Deductions and Credits*, NANNYTAX (Jan. 3, 2024), https://perma.cc/MY2K-DWME.

156. *Canada Child Benefit (CCB)*, CAN. REVENUE AGENCY (Dec. 2, 2025), https://perma.cc/KWU2-S7W2.

157. *Canada Child Benefit Increases Again to Keep up with the Cost of Living,* EMP. & SOC. DEV. CAN., (last updated July 19, 2024), https://perma.cc/4PWF-Lftp.

158. *Income Tax Folio S1-F3-C1, Child Care Expense Deduction,* CAN. REVENUE AGENCY, (last updated Dec. 9, 2024), https://perma.cc/4R24-Z8LW.

159. *Id.*

160. Hanley, Larios, & Koo, *supra* note 143, at 125–26.

161. Lise Widding Isaksen, Sambasivan Uma Devi, & Arlie Russell Hochschild, *Global Care Crisis: A Problem of Capital, Care Chain, or Commons?*, 52 AM. BEHAV. SCI. 405, 407 (2008).

162. Judy Fudge, *Global Care Chains, Employment Agencies, and the Conundrum of Jurisdiction: Decent Work for Domestic Workers in Canada*, 23 CAN. J. WOMEN & L. 235, 238–39 (2011).

163. *Id.* at 241; Hanley, Larios, & Koo, *supra* note 143, at 124; Hsiung & Nichol, *supra* note 134, at 768.

164. Fudge, *supra* note 162, at 239, 241.

165. Daenzer, *supra* note 141, at 84.

disputes and maintain control, effectively commodifying them rather than treating them as equal, rights-bearing employees.[166] From the outset, a structural power imbalance exists between employers and employees, driven by socio-economic class disparities and immigration status.

An analysis of existing literature on the LCP underscores the challenges and marginalization faced by migrant caregivers. Many of their micro-level struggles mirror those of au pairs in the U.S. The live-in requirement blurs the lines between paid and unpaid labor, leaving workers vulnerable to unpaid overtime.[167] Additionally, migrant caregivers experience significant financial pressures, not only to support themselves but also to send remittances to families abroad who depend on these funds for basic survival or immigration purposes.[168] Even though recent pilot programs removed the live-in requirement, precarious working conditions persist. The threat of deportation and the denial of permanent residency continue to exert coercive pressure on caregivers, forcing them to accept unfavorable working conditions.[169] Moreover, the increased cost of living outside the employer's home, such as paying for rent, exacerbates financial hardship.[170] At the meso level, recruitment agencies perpetuate discriminatory stereotypes, portraying Filipinas as servants while positioning European nannies as professionals, despite many Filipinas being health professionals, such as nurses.[171] Some agencies have also been reported to charge illegal placement fees, provide misleading information about job conditions, and withhold workers' passports as a means of control.[172] At the macro level, the regulatory framework governing migrant domestic workers remains fragmented, complicated by a jurisdictional conundrum among international agreements between sending and receiving countries, federal immigration policies, and provincial/territorial labor standards.[173]

The structural failures of caregiver programs have resulted in prolonged family separations for migrant workers and extended wait times for obtaining permanent residency. Under the LCP, where migrant caregivers were forced to leave their families behind to come to Canada, the typical duration of separation is a minimum of six years—two years spent in live-in work and four years awaiting permanent residency application processing.[174] For some, separation extends to

166. *Id.* at 84, 87, 103.

167. Desmond Ofori Oklikah, Teresa Abada, & Godwin Arku, *Canada (Live-in) Caregiver Program (LCP) and Care Workers' Lived Experiences: A Systematic Literature Review*, 25 J. INT'L MIGRATION & INTEGRATION 933, 958–59 (2024).

168. *Id.* at 960.

169. Hanley Larios, & Koo, *supra* note 143, at 136.

170. *Id.* at 131.

171. Oklikah, Abada, & Arku, *supra* note 167, at 961; Bukola Salami, Sioban Nelson, Linda McGillis Hall, Carles Muntaner, & Lesleyanne Hawthorne, *Workforce Integration of Philippine-Educated Nurses Who Migrate to Canada Through the Live-in Caregiver Program*, 46 CAN. J. NURSING RSCH. 65, 68 (2014).

172. Fudge, *supra* note 162, at 236–37.

173. *Id.* at 244; Oklikah, Abada, & Arku, *supra* note 167, at 961–62.

174. Hanley, Larios, & Koo, *supra* note 143, at 132; *see also Can My Family Come to Canada with Me If I Am a Live-in Caregiver?*, GOV'T OF CAN., https://perma.cc/U9A6-8YG8 (Dec. 11, 2025)

fifteen years.[175] One contributing factor is the stipulation that work permits are tied to specific employers, leading to a six-month waiting period when workers change employers, not to mention the time required to secure a new job.[176] Although the two pilot programs launched between 2019 and 2024 explicitly allowed qualified caregivers to bring their family members with them to Canada,[177] they did little to address the slow and bureaucratic nature of the immigration process. Of the 37,568 applications submitted, only 6,125 (16%) were processed by the end of the five-year term, with a high refusal rate of 43% (excluding withdrawals).[178]

The new Home Care Worker Immigration pilots, which promise to offer qualified workers permanent residence upon arrival without requiring Canadian work experience,[179] may present an opportunity for reform. However, given the failure of previous programs to fulfill their promises, skepticism remains. For meaningful change to occur, policy reform must prioritize the protection of migrant domestic workers to prevent further exploitation and stigmatization, ensuring their needs are not overshadowed by the demands of Canadian families.

III. IMPLICATIONS FOR POLICY REFORMS

The Swedish and Canadian models offer valuable lessons on designing tax and immigration policies to formalize the domestic labor sector. This section presents my proposal for a large-scale U.S. model that addresses the criticisms of these approaches while leveraging their strengths. By formalizing and marketizing domestic services, the proposal aims to reduce undeclared tax revenues, shrink the informal labor market, and make care services more accessible to low- and middle-income households. Additionally, it seeks to protect the rights of domestic workers—particularly migrants—while promoting gender equity by increasing female labor force participation through a reduction in unpaid domestic labor. Ultimately, this framework acknowledges the economic value of household work and integrates it into the formal economy, fostering both social and economic benefits.

One of the key elements that the U.S. can adopt from the Swedish model is shifting the responsibility of tax filing for domestic services and payroll taxes from hiring households to registered business entities, such as private service agencies, partnerships, corporations, and self-employed individuals. Unlike households, which often mistakenly classify domestic workers as independent contractors and fail to comply with the Nanny Tax,[180] businesses are more likely

("Family members do not normally come to Canada with people working under the Live-in Caregiver Program.").

175. Hanley, Larios, & Koo, *supra* note 143, at 132.

176. *Id.*

177. *Home Child Care Provider Pilot*, *supra* note 145.

178. Alicia Massie, Anita Minh, & Jennifer E. Shaw, *Canada's broken promises to migrant care workers*, UNDERSTANDING PRECARITY IN BC (June 18, 2024), https://perma.cc/9AC8-HXPA.

179. *Home Care Worker Immigration Pilots*, *supra* note 148; Gamage, *supra* note 148.

180. Erard, *supra* note 17, at 201.

to understand and fulfill employer responsibilities. They are also better equipped to withhold income taxes and remit payroll taxes for employees, as they may already invest in payroll software that would handle these tasks at no additional cost.[181] Importantly, income subject to withholding has a near-perfect compliance rate of 99%, reducing enforcement costs on the IRS.[182]

To complement this shift, the U.S. could introduce refundable tax credits for domestic services, claimable through invoices submitted with federal income tax returns. This would incentivize households to purchase services from the formal sector. At the same time, tax deductions could be provided to registered businesses, thereby lowering their tax burdens and making formal employment in the domestic service sector more attractive. However, the structure and extent of these tax benefits should differ from Sweden's RUT deduction to align with the unique fiscal and social conditions in the U.S.

The RUT deduction in Sweden has successfully stimulated business growth and reduced unpaid household labor, yet it has also been criticized, primarily due to its cost. In 2019, the program cost Sweden 5.4 billion kronor, and although the Employer's Organization for the Swedish Service Sector estimated that 90% of this cost was recovered through increased tax revenues, the Swedish National Audit Office expressed skepticism about this claim.[183] Given the U.S.'s current focus on tax cuts and reductions in federal spending,[184] it is unlikely that a program as generous as the RUT deduction would be adopted. Additionally, the U.S. operates under a fundamentally different taxation and social welfare model than the Nordic system, which funds extensive social services through high tax rates.[185]

A more practical approach for the U.S. would be to implement targeted refundable tax credits for domestic services. Instead of broadly available tax breaks, benefits should be reserved for low- and middle-income households that demonstrate specific needs, such as families with young children, elderly dependents, disabilities, single parents, or secondary income earners. Including secondary earners helps address gender inequality embedded in the joint filing system. As Grace Blumberg points out, aggregating spousal income under joint filing discourages wives—who are often secondary earners—from staying in or reentering the workforce after caregiving gaps, since their first dollar will be taxed at their

181. *See* Kathleen DeLaney Thomas, *The Modern Case for Withholding*, 53 U.C. DAVIS L. REV. 81, 96–97 (2019) ("[T]he point is that tax remittance obligations incurred by individuals are more likely to be standalone costs, which in the aggregate, would outweigh the marginal costs incurred by larger payers to add withholding to their payroll costs.").

182. *Id.* at 90–91.

183. Savage, *supra* note 92.

184. Catie Edmondson, Andrew Duehren, Maya C. Miller, & Robert Jimison, *House Passes G.O.P. Budget Teeing Up Enormous Tax and Spending Cuts*, N.Y. TIMES (Feb. 25, 2025), https://perma.cc/JK4J-YMW4.

185. Will Kenton, *Nordic vs. U.S. Economic Models: A Comprehensive Comparison*, INVESTOPEDIA (Dec. 5, 2025), https://perma.cc/5ZFB-CY83.

husband's higher marginal rate.[186] Refundable tax credits could create work incentives for these women without requiring major reform of the joint filing system.[187] The credit amount could be adjusted based on household income, tax brackets, and the type of services required, distinguishing between general housekeeping and more essential services like childcare or elder care. This targeted design could also help counter the criticism that domestic services primarily benefit the upper class[188] by ensuring that assistance reaches those who need it most. Admittedly, this approach would involve significant upfront costs for the government. But ideally, this could achieve fiscal equilibrium in the long run through increased tax revenues from formalized domestic labor, higher female labor participation, recovery of billions in lost payroll and income taxes currently leaking from the informal market, and lower IRS enforcement costs as filing responsibilities shift to businesses.

Another criticism against the Swedish model is that it did little to change the gendered norm of housework division, with women continuing to perform the majority of both unpaid and paid housework. However, the primary motive for increasing care services availability is to boost female labor participation by freeing up time for paid employment. A study indicates that women devote approximately 60% of the hours saved through such services to their waged work.[189] This shift has the potential to enable more women to remain in top positions, fostering greater representation in leadership roles, breaking the glass ceiling, and advancing gender equity.[190] Additionally, with women gaining economic independence, there is an increased likelihood that their husbands will contribute more to housework responsibilities, further promoting gender equality in domestic labor.[191]

To address concerns related to the Nannygate scandal, the U.S. could implement an immigration policy similar to Canada's caregiver program. A pathway to citizenship could be established, allowing migrant workers to apply for green cards and thereby reinforcing the formality of the domestic labor market. Instead of relying solely on the recruitment of new foreign workers, the policy should prioritize undocumented migrant domestic workers who are already residing and caregiving in the U.S. This approach aligns with the proposal put forth by the

186. Grace Blumberg, *Sexism in the Code: A Comparative Study of Income Taxation of Working Wives and Mothers*, in CRITICAL TAX THEORY: AN INTRODUCTION 3, 3–4, 8–9 (Anthony C. Infanti & Bridget J. Crawford eds., 2009).

187. To clarify, this Note does not endorse the joint return tax system, particularly in light of its disparate racial impacts. *See* Dorothy A. Brown, *Married While Black*, in THE WHITENESS OF WEALTH (2021). Instead, it offers a way to navigate the system as it currently exists.

188. *See, e.g.*, Savage, *supra* note 92.

189. *Id.*

190. *See* David A. Matsa & Amalia R. Miller, *Chipping away at the Glass Ceiling: Gender Spillovers in Corporate Leadership*, 101 AM. ECON. REV. 635, 639 (2011).

191. *See* Shannon N. Davis & Theodore N. Greenstein, *Cross-National Variations in the Division of Household Labor*, 66 J. MARRIAGE & FAM. 1260, 1268 (2004).

Caring Across Generations campaign launched by the NDWA in 2011.[192] Although a similar proposal modeled after Canada's LCP was rejected in 1993,[193] reflecting unfavorable public sentiment toward supporting migrant workers, the current aging U.S. population and growing concerns over elder care may create an opportunity to push for policy reform.[194]

If care service shortages persist and demand for foreign workers remains high, the U.S. could adopt a revised version of Canada's pilot programs. This would require collaboration between the federal government and selected registered businesses. To streamline the hiring process and prevent systemic strain, several key modifications should be considered. First, to minimize administrative burdens, eligibility could be restricted to applicants from certain countries, with caps on the number of accepted individuals and requirements for higher education credentials. Prioritizing candidates with backgrounds in nursing, teaching, or related fields would elevate the professional standards of the workforce and help dismantle persistent stereotypes that associate domestic work with servitude. Second, to avoid overwhelming the system—as seen in Canada's Home Care Worker Immigration pilots—the application process should operate on a fixed-deadline rather than first-come, first-served. Finally, businesses could manage recruitment and placement to improve efficiency, but strong government oversight would be necessary to prevent exploitative conditions similar to those experienced by au pairs. To further protect workers, live-in requirements should be eliminated to ensure clear boundaries between work and home life. Additionally, mirroring Canada's latest reform, green cards should be granted to qualified workers and their families upon arrival, reducing the stress of immigration uncertainty and family separation. This would improve working conditions and provide greater stability for migrant care workers in the U.S.

Regarding the rights of domestic workers as employees, conceptualizing businesses as employers and increasing public advocacy efforts can mobilize support. If businesses take on the role of employers, domestic workers can face fewer meso-challenges as observed in the Canadian example. This shift would allow domestic workers to be protected by employment contracts and collective bargaining agreements. Additionally, as the sector grows, businesses may begin negotiating on behalf of their employees with households, as seen in Sweden.

Both the Canadian and Swedish models suggest that unionization is the most effective way to protect domestic workers' legal rights. However, as mentioned in the overview of the domestic worker movement in the U.S. in Part I, these workers are unfortunately excluded from the NLRA, which grants the right to unionize, and the FLSA, which ensures minimum wages and workplace safety.[195] To address this issue, it is essential to frame domestic labor as an activity that

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192. Chuang, *supra* note 50, at 340–41.
193. Banks, *supra* note 8, at 35.
194. Kleiman, Sarkar, & Satterthwaite, *supra* note 11, at 161–62.
195. *Domestic Workers Bill of Rights FAQs*, NAT'L DOMESTIC WORKERS ALL., https://perma.cc/7MHF-ZM3J.

serves the public good, despite occurring within private homes. Emphasizing its economic and productive value can help challenge the traditional private/public dichotomy and garner broader public support for systemic reform. The NDWA is at the forefront of this movement, pushing for federal recognition and advancing a National Domestic Workers Bill of Rights.[196] Through initiatives such as We Dream in Black, the NDWA also works to dismantle the harmful association between domestic labor and slavery, while elevating the voices and leadership of historically marginalized groups, particularly Black women.[197] Building collective power and increasing visibility are critical to fostering personal agency and political empowerment.[198]

These efforts must also extend to foreign domestic workers. Given the structural inequalities embedded in the global care chain, advocacy cannot rely solely on bilateral agreements between sending and receiving countries, as such frameworks are often undermined by existing power imbalances.[199] Instead, stronger protections must be enacted within receiving countries, beginning with the safeguarding of immigration status and the expansion of labor rights to all migrant caregivers.

CONCLUSION

As the aging population grows and childcare costs continue to rise,[200] it is evident that reform in the domestic labor market is essential to ensure affordability and accessibility for families while safeguarding the rights of domestic workers. Beyond Sweden and Canada, countries such as the UK, Spain, and France have introduced cash support or tax credits for childcare, while others, including Germany and Italy, provide "direct payments" for elder and disability care.[201] This Note examined tax and immigration policies on a macro level, highlighting the urgent need for reform to promote tax compliance and expand the formal domestic labor markets. Future research is needed to assess the practical implementation of these policies. I advocate for a restructured approach to the Nanny Tax, shifting from an employment tax obligation to a tax incentive model for hiring families. Although it may be difficult to change household behavior, especially among those hesitant to hire domestic help, expanding the scope of domestic labor to include services beyond caregiving might encourage broader participation. Ultimately, this approach aims to stimulate sector growth and build a more equitable system that supports both care recipients and care providers.

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196. *Transforming Care Work*, *supra* note 14.

197. *Transform the lives and labor of Black domestic workers*, NAT'L DOMESTIC WORKERS ALL., https://perma.cc/42VM-AHRK.

198. *See id.*; *see also* Staudt, *supra* note 3, at 1588 (noting that Black women, for example, traditionally perceive domestic work as personally and politically empowering).

199. Sarkar, *supra* note 41, at 43–44.

200. *Transforming Care Work*, *supra* note 14.

201. Fiona Williams, *Converging variations in migrant care work in Europe*, 22 J. EUR. SOC. POL'Y 363, 365 (2012).