

Difficulty of Care Income Exclusion Internal Revenue Service Notice 2014-7

For Direct Care Workers Living With the Participants They Serve



### **IRS Difficulty of Care Income Exclusion**

Payments to an individual care provider for services to a Medicaid Waiver eligible individual living in the provider's home are excluded from federal income tax.

Specifically, IRS Notice 2014-7 provides that "…payments under a Medicaid waiver program to an individual care provider for nonmedical support services provided under a plan of care to an eligible individual (whether related or unrelated) living in the individual care provider's home" are considered "…difficulty of care payments excludable under § 131 of the Internal Revenue Code."



### Difficulty of Care Income Exclusion

### **About the Exclusion**

- When a direct care worker lives with the participant that they provide services to, their income may be excluded from Federal Income Tax.
- In order to qualify for the exclusion you must be able to answer YES to all the statements below:
- 1. I provide services to the individual participant in my home. (It doesn't matter who owns or rents the home.)
- 2. I do not have a separate home where I reside.
- 3. This is the home where I reside and regularly perform the routines of private life, including shared meals and holidays with family.

\* Does not apply to <u>Act 150</u> program participants

Are there any limits on which live-in providers may claim the income exclusion?

Yes ...

- A provider may <u>not</u> exclude payments for the care of > 10 eligible individuals under age 19
- A provider may <u>not</u> exclude payments for the care of > 5 eligible individuals who are > age 19 or older
- For more information regarding DOC limitations refer to the IRS Notice 2014-7 on the PPL Website for OLTL Participants.

## Does it matter who owns the home?

Ng ...

The notice applies to individual providers who provide care in their home **regardless of who owns the home**. The providers do not have to be related to the participant.

- Example John moved into his mother's home to provide care for her through a Home & Community-Based Waiver. John has no other residence than his mother's home.
- Example Both parents of a child with a development disability provide care to the child through a Home and Community-Based Waiver. (There is no restriction to the number of providers as long as they reside in the same home with the participant.)
- Example A participant hires her roommate to provide support services to her through a Home & Community-Based Waiver. (And the roommate has no other home.)

## Are Difficulty of Care payments excluded or exempt from other federal taxes?

- The rule, at this time, applies only to Federal Income Withholding Tax.
- Some providers are already FICA/FUTA exempt and this does not prevent them from also qualifying for the DOC income exclusion.

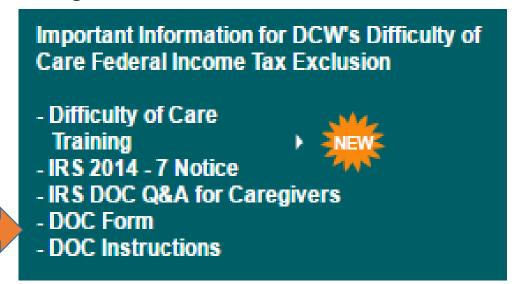
# How will DOC be reflected on pay remittance advices?

Payments	This Check
Total Earnings	1,393.08
Federal Income Tax	
Medicare-Employee	-20.20
Social Security-Employee	-86.37
State Tax	-60.00
Net Pay	1,226.51

Sample Only

## How to determine if I am eligible?

 Go to <u>www.publicpartnerships.com</u> and find your program website. The DOL form and Instructions can be found under Program News on the right hand side of the screen.



• You may contact Customer Service at 1-877-908-1750

### Where Do I Send Completed Difficulty of Care Forms To or Get More Information?

- Fax to 1-855-858-8158 OR
- Mail the completed form to: PA OLTL Program P.O. Box 1108 Wilkes-Barre, PA 18773-9908
- PPL will apply Difficulty of Care Income Exclusion to payments after receipt of a correctly completed Difficulty of Care Form.

#### If you need more information:

Please refer to the IRS Notice 2014-7 and the Q&A for Caregivers located on the PPL Website for OLTL Participants for additional information about prior year Difficulty of Care tax treatment that you may be eligible for.



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