

# IRS Difficulty of Care Income Exclusion Information

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**Payments to an Attendant for services to a Medicaid Waiver eligible individual living in the Attendants home (same residence) 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 Attendant 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 below:
  - ✓ **I provide services to the individual participant in my home. (It doesn't matter who owns or rents the home.)**
  - ✓ **I do not have a separate home where I reside.**
  - ✓ **This is the home where I reside and regularly perform the routines of private life, including shared meals and holidays with family.**

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

Yes ...

- An Attendant may not exclude payments for the care of more than 10 eligible individuals under age 19 or more than five eligible individuals who are age 19 or over.
- For more information regarding DOC limitations refer to the IRS Notice 2014-7 on the PPL Website for VA CCC Plus Participants.

## Does it matter who owns the home?

No...

The notice applies to individual Attendants who provide care in their home regardless of who owns the home. The Attendant does not have to be related to the participant.

- ✓ Example – John moved into his mother's home to provide care for her. John has no other residence other than his mother's home.
- ✓ Example – A participant hires her roommate to provide support services to her through and the roommate has no other home.

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

- IRS Notice 2014-7, at this time, applies only to Federal Income Withholding Tax.
- Some Attendants are already FICA/FUTA exempt and this does not prevent them from also qualifying for the DOC income exclusion.
- The IRS DOC income exclusion is unrelated to the Live-In Domestic Employee Exemption from the overtime provisions of the Fair Labor Standards Act, although some Attendants may qualify for both

## How will DOC be reflected on pay remittance advices?

Payments	This Check	YTD Amount
Total Earnings	1,393.08	23,682.36
Federal Income Tax		*-2622.32
Medicare-Employee	-20.20	-343.40
Social Security-Employee	-86.37	-1468.29
State Tax	-60.00	-1016.00
<b>Net Pay</b>	<b>1,226.51</b>	<b>18,232.55</b>

\* Represents Federal Tax withholds prior to the start of the Difficulty of Care Exclusion in 2015. In 2016 this field, too, may be blank if no Federal Income Tax was withheld.

# How to I determine if I am eligible?

PPL has posted the DOC Form and Instructions to the program website at [www.publicpartnerships.com](http://www.publicpartnerships.com)

- You may contact Customer Service at **833-549-5672**
- Complete the Difficulty of Care Form
  - Fax to **1-866-709-3319** or
  - Mail to CCC Plus Program at
- Virginia Consumer-Directed Services Program  
PCG Public Partnerships, LLC  
4991 Lake Brook Drive, Suite G90  
Glen Allen, VA 23060

PPL will apply Difficulty of Care Income Exclusion to payments after receipt of a correctly completed Difficulty of Care Form.



## Will Attendants report these payments on their individual tax returns?

Attendants should refer to information provided on the IRS Website and/or consult with their tax advisor/preparer.

<http://www.irs.gov/Individuals/Certain-Medicaid-Waiver-Payments-May-Be-Excludable-From-Income>

PPL cannot give tax advice.

# Additional Information

Please refer to the IRS Notice 2014-7 and the Q&A for Caregivers located on the PPL Website for VA CCC Plus Participants for additional information.



[www.publicconsultinggroup.com](http://www.publicconsultinggroup.com)