



Notice 2014-7 Difficulty of Care Payments

Worker (Your Name): _____

Participant: _____

Representative: _____

Participant's Funding Source (Choose one)

Medicaid Sponsored

___ Consumer Directed Community Supports (CDCS)

___ Personal Supports and Respite

Non-Medicaid Sponsored

___ Consumer Support Grant (CSG)

___ Private Pay

On January 3, 2014, the IRS issued Notice 2014-7 announcing that Medicaid Home & Community-Based Service payments received by Workers who live in the same home as the Participant are now considered difficulty of care (DOC) payments under Section 131 of the Internal Revenue Code. Any DOC payments are excludable from federal gross income and therefore should not have federal income tax withheld. The Minnesota Department of Revenue has announced that they will treat these payments similarly.

In order to determine if your situation satisfies the basic eligibility requirements, please answer the following questions:

1. Do you permanently reside full time in the same home as the Participant? Yes No
2. Is the funding source for payments from a Medicaid sponsored program? Yes No

If you answered **no** to either question, please complete and submit a W-4 form.

If you answered **yes** to both questions, payments you receive may qualify as DOC payments therefore not subject to Federal and State income tax. You may claim this status by signing the declaration of eligibility below and submitting to PICS by email (payroll@picsmn.org), fax (651-967-5061), or mail (PICS, 1605 Eustis St, St Paul, MN 55108).

You must also complete and submit a Federal W-4 form and a MN Revenue W4 .

Please note that you are responsible for notifying PICS Payroll if your living situation or payment source changes.

Declaration of Eligibility

Under penalties of perjury, I declare that I am a Worker residing with the Participant named above and receiving payments under state Medicaid Home and Community-Based Services for care I provide to this Participant under their plan of care.

Worker Signature

Date

Failure to update could result in a bill from the IRS at tax time.

PICS cannot provide tax advice on your personal tax situation. Please consult a tax professional.



Notice 2014-7: Frequently Asked Questions

Below are some common questions and answers. Feel free to call PICS with any further questions. Please know, however, PICS is limited in our ability to assist you with determining your eligibility for Notice 2014-7 and cannot provide tax advice. Please consult a tax professional to get the best information for your unique situation.

1. How do I know if I am eligible to file my income as not taxable DOC payments under Notice 2014-7?

Each person's situation is unique. Please contact a tax professional or visit the IRS web site at <http://www.irs.gov/Individuals/Certain-Medicaid-Waiver-Payments-May-Be-Excludable-From-Income> for more information. The attached form provides the basic criteria for filing your payments as DOC under Notice 2014-7.

2. What programs are Medicaid sponsored?

PICS currently serves two Home and Community Services Medicaid sponsored programs: CDCS and Personal Supports and Respite. Earnings from both programs are eligible as DOC payments. Feel free to contact PICS if you have questions regarding your funding source.

3. I am a Worker and live with the Participant 5 days/week, 4 nights/week, are my earnings eligible?

No, the IRS states that the Worker and the Participant must live together full time and participate in the typical daily acts of living such as shared meals, shared holidays, etc.

4. If I declare my payments as not taxable, do I have to complete a W-4?

Yes, PICS requires a W-4 for all Workers. Any earnings that are not DOC payments are taxable such as paid time off, payments from another funding source, etc.

5. What will my W-2 look like?

For example, if 100% of your earnings were to be considered DOC payments, you would receive a W-2 with a zero in box 1 (Wages, tips, other comp), box 2 (Federal income tax withheld) and box 16 (State wages, tips, etc).

6. When does the declaration of DOC payments expire?

This expires when your circumstances change. You are responsible for informing PICS if you are no longer eligible. Failure to do so could result in a bill from the IRS at tax time.

7. I qualify for DOC payments, but I already file exempt from taxes, should I declare my payments as DOC too?

Filing exempt and declaring the payments as DOC payments are not the same. If you file exempt, your income will be reported as taxable with zero taxes withheld. If your income falls under the rules of DOC payments, your income will not be reported as taxable and zero taxes will be withheld.

8. How do I declare my payments from PICS as difficulty of care payments?

The IRS allows agencies such as PICS to accept a written statement signed under penalties of perjury. Please return the attached form to PICS by fax (651-967-5061) or mail (PICS, 1605 Eustis St, St Paul, MN 55108) or by email (payroll@picsmn.org).