

Medicaid Waiver Payments

Comprehensive Topic

Pub 4012 – Tab D

Pub 4491 – Lessons 9, 10, and 16

■ Excludible Medicaid Waiver Payments

- Paid by state or county
- Paid to caregiver to provide nonmedical support services to an individual
- Care provider and care recipient live in same home
- Care for no more than 10 children or 5 adults (19 or older)
- Note: payments fully taxable when care provider and care recipient do not live in same home

■ Difficulty of Care Payments

■ IRS Notice 2014-7

- Treats “qualified Medicaid waiver payments” as difficulty of care payments
- **Must** be excluded from Income
- Not earned income for
 - Earned income credit
 - Dependent care credit
 - Additional child tax credit

■ Medicaid Waiver Payments

- Check individual states at <http://medicaidwaiver.org/>
- Ask probing questions about W-2 or 1099-MISC presented from state health and human services
- Discuss type of services provided by taxpayer
- Confirm whether care provider lived with care recipient all/part/none of the year

■ Medicaid Waiver Payments - Income Documents

Pub 4012 Tab D

- Document reporting requirements vary by state
 - W-2
 - 1099-MISC Box 7, Box 6 or Box 3
 - Not reported (correct since it is excluded income)
- Find *Entering Medicaid Waiver Payments in Pub 4012 Tab D*
 - Review state scenario

■ 1099-MISC Example: Taxpayer in Care Business

- Taxpayer cares for 3 individuals, one of which qualifies as a Medicaid waiver payment
- Report all payments on Schedule C
- Enter exclusion as an other expense on Schedule C – label as Notice 2014-7
- Do not exclude income if care is for more than 5 adults or more than 10 children

■ Medicaid Waiver Payments Quality Review

- Verify amount excluded from all applicable forms
 - Earned Income Credit
 - Additional Child Tax Credit
 - Dependent Care Credit

■ Medicaid Waiver Payments

Comments



Questions

