

# Medicaid Waiver Payments



Difficulty of Care Payments

4491 (2014) – Part 3



## Medicaid Waiver Payments



- Paid by state or county
- Paid to caregiver to provide nonmedical support services to an individual in caregiver's home
- Frequently paid to care recipients own family



## Difficulty of Care Payments



- **IRS Notice 2014-7**
  - Treats “qualified Medicaid waiver payments” as difficulty of care payments
  - Provides for **optional exclusion** whether care recipient related or unrelated

## Income Documents

- **Each state reports payments according to its own rules**
  - 1099-MISC Box 7
  - 1099-MISC Box 3
  - W-2
  - Not reported
  - Other...

# Tax Return



- Enter income from W-2 on Line 7
- Enter income from 1099-MISC on Line 21 (Wkt7)
- If taxpayer wishes to exclude the income, enter same amount as a negative number on Line 21 (Wkt7) labeled "Notice 2014-7"

# In TaxWise



## Worksheet 7

|    |  |        |
|----|--|--------|
| 1  | Gambling winnings from Form W-2G   | 0      |
| 2  | Form 1099-MISC, lines 3, 7, and 8  | 15000  |
| 3  | Taxable distributions from education savings accounts (ESAs) and QTPs      | 0      |
| 4  | Recovery of itemized deductions  | 0      |
| 5  | Foreign income exclusion from Form 2555, line 45                           | 0      |
| 6  | Foreign income exclusion from Form 2555-EZ, line 18                        | 0      |
| 7  | Income addition from Form 6478, line 2                                     | 0      |
| 8  | Income addition from Form 8814, line 12                                    | 0      |
| 9  | Taxable Archer MSA distributions from Form 8853, line 8                    | 0      |
| 10 | Taxable Medicare Advantage MSA distributions from Form 8853, line 12       | 0      |
| 11 | Taxable long-term care insurance contract payments from Form 8853, line 26 | 0      |
| 12 | Taxable HSA distributions from Form 8889, line 16                          | 0      |
| 13 | Income for failure to maintain HDHP coverage from Form 8889, line 20       | 0      |
| 14 | Jury duty pay  | 0      |
| 15 | NOL carried forward - enter as a negative amount                           | 0      |
|    | A statement is required for a file. F9 here for the NOL statement          |        |
| 16 | Describe NOTICE 2014-7   | -15000 |
| 17 | Describe   | 0      |

## Schedule C

- **Report payments on Schedule C if taxpayer is in the business of providing care**
- **If desired, enter exclusion as an other expense on Schedule C**
- **Do not exclude income if care is for more than 5 adults or more than 10 children**

## Effect on Other Benefits

- **If Medicare Waiver payments reduce taxpayer's EIC or other benefits, allowable to omit the payment from the return**
- **Taxpayer will get a notice of omission from IRS and should answer with "Notice 2014-7"**

## Quality Review



- Verify if taxpayer wishes to include or exclude the income
- Verify the dollar amount on Wkt7

## Medicare Waiver Payments

Questions?



Comments?

