



# What are Difficulty of Care (DOC) Payments?

If you and your client live together, you are eligible for the Difficulty of Care income exclusion outlined in IRS Notice 2014-7. This means that the wages that you earn for providing personal care to the client you live with may be excluded from your income for income tax purposes.

## What's changing in IPOne?

Effective April 2020, IPOne will be able to exclude Federal Income Tax (FIT) from payments to an Individual Provider for personal care services provided to an eligible Client living in the same home with the provider.

## How is Residency (Home) Determined?

- Residency is the place where the provider resides and regularly performs the routines of the provider's private life, such as shared meals and holidays with family.
- The provider and client must live together and cannot have a separate home where either reside, even if only part-time.

## Providers are Eligible If:

- The client and provider live together in the same home, regardless of who owns or rents the property.
- Multiple Providers living in the same house with the Client may each be eligible; for example, parents providing care for a child.

## How are Difficulty of Care Payments Treated?

### The Provider Should:

- Continue to withhold and remit FICA (Social Security and Medicare) and FUTA (Federal Unemployment Tax), unless the Provider is exempt due to family relationship or other reason
- Remember DOC payments are excluded from federal income
- Remember that DOC is not a tax exemption

### The Provider Should Not:

- Withhold and remit Federal Income Tax (FIT) from DOC payments
- Report DOC payments as federal taxable income
- Choose to classify DOC payments as federal taxable income
- Consider DOC payments as income for purposes of determining Provider's Medicaid/ACA tax credit eligibility

### Note:

*\*The provider's family relationship to the client is not a determining factor as to whether payments qualify as DOC payments.*

*\*Difficulty of Care payments apply to services provided as Personal Care and Relief Care. Examples also include time spent transporting, shopping, attending doctor appointments, and attending community events.*

*\*The income exclusion does not apply to payments you receive directly from your client, which are known as "client participation" amounts.*

## What does IPOne need?

Public Partnerships LLC (PPL) does not make a determination if you are eligible for this income exclusion. Upon receipt of a properly completed form, PPL will begin to exclude Federal Income Tax (FIT) for any eligible payments. A properly completed form includes:

- All three boxes checked, and
- signed document is received by PPL

See example form below. **Please obtain a form from PPL's website, linked below, for your official submission.**

Section A: Applying for Difficulty of Care Federal Income Exclusion	
<p>Certain payments you (Individual Provider) receive for providing personal care services funded by Medicaid in the same home as your client are considered Difficulty of Care payments and are not subject to Federal Income Tax (FIT) deductions. If you do not have to pay federal income tax, WA IPOne through Public Partnerships will not report your pay as income, and you will not have to pay FIT on qualifying payments.</p>	
<p><b>STEP 1:</b> Review information regarding the Difficulty of Care Federal Income Exclusion. Information is available on Public Partnerships' website at <a href="http://publicpartnerships.com/programs/washington/IPOne">http://publicpartnerships.com/programs/washington/IPOne</a></p>	
<p><b>STEP 2:</b> If you qualify for the Difficulty of Care income exclusion the following 3 boxes must apply and be checked:</p>	
<p><input type="checkbox"/> I provide services to my client in the same home where the client also lives. (NOTE: The client receiving care must live in the same home as the individual provider. It does not matter who owns or rents the home.)</p>	
<p><input type="checkbox"/> I do not live in a different home from my client.</p>	
<p><input type="checkbox"/> This is the home where I live and have meals, daily life, and holidays with family.</p>	
<p>▪ <u>All the above must apply to be eligible for the Difficulty of Care Federal Income Exclusion.</u></p>	
<p><i>Under penalties of perjury, I declare that I am an Individual Provider receiving payments under a state Medicaid Home and Community-Based Services program. I live in the same home with, and I provide personal care services to, the client listed at the top of this form.</i></p>	
Individual Provider Signature: _____	Date: _____

Section B: Terminating Difficulty of Care Federal Income Tax Exclusion	
<p><i>Under penalties of perjury, I declare that I no longer reside with a client that I provide personal care services to and who is receiving services under a state Medicaid Home and Community-Based Services program.</i></p>	
Individual Provider Signature: _____	Date that I no longer qualify: _____

### For More Information Visit:

- » Public Partnerships website <http://www.publicpartnerships.com>
- » DSHS website <https://www.dshs.wa.gov/altsa/irs-notice-2014-7-difficulty-care-payments-excludable-income>
- » IRS website <https://www.irs.gov/individuals/certain-medicaid-waiver-payments-may-be-excludable-from-income>

Public Partnerships LLC does not give tax advice. If you have questions about whether or not the Difficulty of Care income exclusion applies to you, please consult a tax professional for advice.