

INFORMATION ON

Tax Exemptions for Individual Providers

Some Individual Providers (IP) qualify for tax exemptions. Tax exemptions are determined when completing attestations during the Consumer Direct Care Network Washington (CDWA) hiring process. The following information is intended to help you better understand some of the most common tax exemptions.

General Information About Exemptions

- CDWA does not retroactively apply exemptions. Tax exemptions are only applied going forward.
- Newly completed attestation forms take effect on the first day of the next pay period after CDWA receives the completed attestation form.
- Changes in live-in status take effect the first day of the next pay period after CDWA receives a complete and accurate change in status notification.
- CDWA cannot provide tax advice. If an IP has additional questions, they need to contact a tax professional.

Difficulty of Care Exemption

Certain payments to IPs who live in the same household as the Client and provide personal care services funded by a Medicaid waiver program are not subject to Federal Income Tax (FIT) deductions. These payments are considered Difficulty of Care (DOC) payments.

The DOC income exclusion:

- To be eligible for DOC income exclusion, the IP must attest they live in the same home as the Client, and have regular meals, share daily life activities, and spend holidays with the Client.
- Federal Income Tax (FIT) is not withheld from Difficulty of Care Payments.
- Applies only to personal care services. Examples include time spent transporting the Client, shopping, attending doctor appointments, and attending community events.
- Does not apply to payments made for respite care, skills acquisition training, travel time (travel between work shifts), required trainings, or paid time off.
- Multiple IPs living in the same house with the Client may each be eligible (e.g. parents providing care for a child). The IP's family relationship to the Client is not a determining factor as to whether payments qualify as DOC payments.

More information about the DOC income exclusion is available on the IRS website:

<https://www.irs.gov/individuals/certain-medicaid-waiver-payments-may-be-excludable-from-income>

Tax Exemptions Based on Age, Student Status, and Family Relationship

IPs providing domestic services, such as personal assistance, may be exempt from paying certain federal and state taxes based on the IP's age, student status, or family relationship to the employer. In some cases, the IP may also be exempt based on their employer's status.

Applicable Taxes:

- FICA = Medicare/Social Security Tax
- FUTA = Federal Unemployment Tax
- SUTA = State Unemployment Tax

IMPORTANT:

- These exemptions are not optional. If the IP qualifies for these tax exemptions, they must be taken.
- If the IP's earnings are exempt from these taxes, the IP may not qualify for the related benefits, such as retirement benefits and unemployment compensation.
- CDWA will determine the tax exemptions based on the answers provided by the IP. CDWA cannot provide tax advice.

How to Make Corrections or Update Attestations

If an IP has a change in status or needs to make a correction to their attestation, they should contact CDWA. CDWA will reset the attestation in Workday so the IP can make their corrections or updates.