



IRS Notice 2014-7

In January 2014, the IRS issued Notice 2014-7 stating that certain wages earned by employees providing services to individuals on a Medicaid Waiver can be excluded from federal income tax.

- This applies to employees living **fulltime** in the home with the Medicaid waiver person they provide services to.
- It may also apply to other Medicaid programs similar to waiver funded programs such as PCA Choice or Consumer Support Grant. *However, the IRS makes the determination and not Accra.*

For additional information visit the IRS website:

http://www.irs.gov/irb/2014-4_IRB/ar06.html

<http://www.irs.gov/Individuals/Certain-Medicaid-Waiver-Payments-May-Be-Excludable-From-Income>

Other 2014-7 Implications:

- Claiming 2014-7 and reducing the Adjusted Gross Income (AGI) on tax form 1040 could have other implications if the employee receives benefits or insurance calculated on a person's AGI like TEFRA payments for MA or health insurance eligibility.
- 2014-7 does not apply to Paid Time Off wages.
- An employees may also file an amended tax return for previous tax years to benefit from 2014-7.
- MN Revenue applies 2014-7 to state income tax if an individual claims the exclusion.

Accra does not pursue this for employees and Accra staff are not tax professionals.

If an employee or tax preparer wants proof that the wages paid were waiver funded, Accra can provide this.

*Please note in May 2019 a federal tax court ruled difficulty of care payments (2014-7) can be counted as earned income for the purposes of the Earned Income Tax Credit (EITC).