



## 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 an agency, such as Accra.*

For additional information visit the IRS website:

[http://www.irs.gov/irb/2014-4\\_IRB/ar06.html](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.**

- It is up to the employee/tax payer to verify their own tax exemptions.
- Employees should consult with their income tax preparer to determine whether, for example, the 2014-7 exclusion or the Earned Income Credit (EIC) is best for their situation.
- If an employee or tax preparer wants proof that the wages paid were waiver funded, Accra can provide this.

