

## Medicaid Waiver Payments

**What are Medicaid Waiver Payments?** (MWP) are a part of the Medicaid program that help people with specific healthcare needs who may not qualify for traditional Medicaid services. **These payments are used to cover the costs of services and support that are essential to an individual's care and well-being, such as personal care, meal preparation, laundry, respite care, and adult day care...** pays someone to help care for them in their own home instead of using a service. (from [myflorida.com](http://myflorida.com))

**Great News:** The IRS has determined that *certain* payments made to providers for care under a MWP are **excludable from federal income taxes.** (must see if you qualify)

**Who qualifies?** **Both** requirements must be met:

- 1) Do you provide care under a Medicaid Home and Community-Based Services waiver program?
- 2) **Do you live in the same home** as the waiver recipient that you are providing care for?
  - You must live full time in the same residence as the person you provide care for
  - You perform the regular routines of your private life in this same home such as shared meals and holiday observances with family.
  - You may not have another home that you live in part time on weekends or when you are not working (i.e. a lake home where you spend time away from the recipient or your own apartment that you go to sometimes)

**If you qualify:**

- The Medicaid Waiver payments will not count as income for federal tax purposes
- If paid as an employee on a W-2, No federal income tax will be withheld from your pay check (Social Security & Medicaid taxes will be withheld for you)

Payments may be reported on a W-2, 1099-Misc or 1099-NEC.

**Sample W2**

Copy C For EMPLOYEE'S RECORDS (See Notice to Employee on back of Copy B)		2023	OMB No. 1545-0008
a Employee's social security number	1 Wages, tips, other compensation 0.00	2 Federal income tax withheld 0.00	
	3 Social security wages	4 Social security tax withheld	
b Employer identification number (EIN) 81-0943263	5 Medicare wages and tips 7080.00	6 Medicare tax withheld 102.66	
c Employer's name, address, and ZIP code GT Independence Services, LLC AGENT FOR: [REDACTED] 215 BROADUS STREET STURGIS, MI 49091			
d Control number	7 Social security tips	8 Allocated tips	9
10 Dependent care benefits	11 Nonqualified plans	12a	0.00
13 Statutory employee <input type="checkbox"/>	14 Other 2014-7 Income: 7080.00	12b	0.00
Retirement plan <input type="checkbox"/>		12c	0.00
Third-party sick pay <input type="checkbox"/>		12d	0.00
15 State   Employer's State ID # FL	16 State wages, tips, etc. 0.00 0.00	17 State income tax 0.00 0.00	
18 Local wages, tips, etc. 0.00	19 Local income tax 0.00	20 Locality name	

Form W-2 Wage and Tax Statement      Department of the Treasury—Internal Revenue Service

### Does this even need to be entered?

If the taxpayer qualifies to waive the payments then No.

**BUT— should it be entered?** If the taxpayer would qualify for EITC or ACTC with this being reported as “earned” income— then enter it and see. You can enter this income for the credit AND not generate any income tax.

**\*\*Try it and See\*\*** Don't have your taxpayer lose out because you are unsure.

**Note:** Marketplace is not affected by the addition of this income to a tax return as long as you follow the steps shown.

# How to Enter Medicaid Waiver Payments from W-2

**Copy C For EMPLOYEE'S RECORDS (See Notice to Employee on back of Copy B.)** 2023 OMB No. 1545-0008

a Employee's social security number	1 Wages, tips, other compensation 0.00	2 Federal income tax withheld 0.00
b Employer identification number (EIN) 81-0943263	3 Social security wages 7080.00	4 Social security tax withheld 438.96
c Employer's name, address, and ZIP code GT Independence Services, LLC AGENT FOR: [REDACTED] 215 BROADUS STREET STURGIS, MI 49091	5 Medicare wages and tips 7080.00	6 Medicare tax withheld 102.66
d Control number	7 Social security tips	8 Allocated tips
10 Dependent care benefits	11 Nonqualified plans	12a 0.00
13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay	14 Other 2014-7 Income: 7080.00	12b 0.00 12c 0.00 12d 0.00
15 State FL Employer's State ID #	16 State wages, tips, etc. 0.00 0.00	17 State income tax 0.00 0.00
18 Local wages, tips, etc. 0.00	19 Local income tax 0.00	20 Locality name

Form W-2 Wage and Tax Statement Department of the Treasury—Internal Revenue Service

Enter the amount from W-2 Box 1 in Box 1

1 - Wages, tips, other compensations

2 - Federal income tax withheld

\$7080

\$

**Box 14**

Then enter in this section

3 - Social security wages

Enter any box 14 codes and amounts. If your code is not listed, select Other. If r

\$7080

14 - Other

Select **Skip this line**

5 - Medicare wages and tips

14 - Other

Select

\$7080

Medicaid Waiver Payment

\$7080

Enter the amount from the W-2 Box 14 in this section and check the box

Select if you want to include Medicaid Waiver payments in the calculation of earned income.

## Sample of completed return

It will show here-Wages

1a	7080.00
1b	0.00
1c	0.00
1d	0.00
1e	0.00
1f	0.00
1g	0.00
1h	0.00
Total Income	
1z	7080.00
2b	0.00
3b	0.00
4b	0.00
5b	0.00
6b	0.00
7	0.00
8	-7080.00
9	0.00
10	0.00
11	0.00
12	13850.00
13	0.00
14	13850.00
15	0.00

MWP is adjusted out so it won't be subject to income tax. (Schedule 1)

Look!!!!

WOW!!!

14	2	4972	3		16	0.00
					17	0.00
					18	0.00
					19	0.00
					20	0.00
					21	0.00
					22	0.00
					23	0.00
					24	0.00

This taxpayer is Head of Household with 1 dependent. The \$7,080 in MWP was for a brother .

On W-2, in software, marked as Earned Income...

a	Form(s) W-2	25a	0.00
b	Form(s) 1099	25b	0.00
c	Other forms (see instructions)	25c	0.00
d	Add lines 25a through 25c	25d	0.00
26	2023 estimated tax payments and amount applied from 2022 return	26	0.00
27	Earned income credit (EIC)	27	2406.00
28	Additional child tax credit from Schedule 8812	28	687.00
29	American opportunity credit from Form 8863, line 8	29	0.00
30	Reserved for future use	30	
31	Amount from Schedule 3, line 15	31	0.00
32	Add lines 27, 28, 29, and 31. These are your total other payments and refundable credits	32	3093.00
33	Add lines 25d, 26, and 32. These are your total payments	33	3093.00

Now gets ACTC and EITC!!!

## Sample of completed return #2

I changed the scenario— made the taxpayer Single with NO dependent and entered the \$7,080 in MWP .

On W-2, in software, marked as Earned Income...

**Still got an EITC credit!**

27	Earned income credit (EIC) . . . . .	27	541.00	
28	Additional child tax credit from Schedule 8812 . . . . .	28	0.00	
29	American opportunity credit from Form 8863, line 8 . . . . .	29	0.00	
30	Reserved for future use . . . . .	30		
31	Amount from Schedule 3, line 15 . . . . .	31	0.00	
32	Add lines 27, 28, 29, and 31. These are your <b>total other payments and refundable credits</b> . . . . .	32		541.00
33	Add lines 25d, 26, and 32. These are your <b>total payments</b> . . . . .	33		541.00

### Will they always get an EITC or ACTC credit if you do this?

NO. Of course not. EITC and Additional Tax credit are only for those that qualify based on: Earned Income, Total Income, Filing Status, and Household size, and age. It does no harm to enter it— better to try and not get additional refund than not enter it and lose out.

For those that receive 1099-NEC or 1099-Misc for MWP, please refer to PUB 4012 for instructions on how to process those.

Not everyone qualifies to not have MWP as tax-free income—carefully review the requirements.

#### For more information:

- Refer to PUB 4012 2023 version page D-12 and D-13 [irs.gov/pub/irs-pdf/p4012](https://www.irs.gov/pub/irs-pdf/p4012)
- Or Visit [irs.gov/individuals/certain-Medicaid-waiver-payments-may-be-excludable-from-income](https://www.irs.gov/individuals/certain-Medicaid-waiver-payments-may-be-excludable-from-income) there are some great Frequently Asked Questions (FAQ) for many different scenarios to see who qualifies to include/exclude as income.