

# Medicaid Waiver Payments & Personal Time Off

MWP & PTO

# ■ Medicaid Waiver Payments

- Caregiving
  - Care provider and the care recipient must live in the same residence
- Business providing home health care services
  - Schedule C

# ■ Medicaid Waiver Payments (MWP)- Income

- MWP may be reported on:
  - W-2 - box 1 or box 1 may be blank
  - 1099-NEC – box 1
  - 1099-MISC - box 3 or 6
  - Or not reported at all

# ■ Medicaid Waiver Payments (MWP)- Income

## ■ W-2 - Employer

- DHS, SPD, Prov Payment Unit
  - Paid by the state to give care to a client who lives in same residence
- Determine if special tax treatment is appropriate

# ■ Medicaid Waiver Payments (MWP)- Income

## ■ W-2 - Employer

|   |   |
|---|---|
| b. Employer identification number (EIN)<br>93-0600527   | 1. Wages, tips, other compensation<br>\$21,367.17 |
| c. Employer's name, address, and ZIP code<br><br>DHS, SPD, PROV PAYMENT UNIT<br>PO BOX 14990<br>SALEM OR 97309-5445 | 3. Social security wages<br>\$21,367.17           |
|   | 5. Medicare wages and tips<br>\$21,367.17         |
|   | 7. Social security tips                           |

# ■ Medicaid Waiver Payments - Income

## ■ W-2 Box 1 is blank

- Box 3 – social security wages
- Box 2 – federal income tax withheld
- **Enter the amount from box 3 into box 1**

# ■ Medicaid Waiver Payments - Income

## ■ Below box 14

- Check box – check if you want to **include** MWP in the calculation of earned income
- MWP field – enter amount to exclude from taxable income

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

Medicaid Waiver Payment

\$21367

# ■ Medicaid Waiver Payments - Income

## ■ Below box 14

- All or nothing - Enter total amount in W-2 box 1
- The sum of all MWP received must be treated consistently
- Taxpayer may receive more than one W-2 for MWPs.

# ■ Medicaid Waiver Payments - Income

- ***Option 1*** - **Exclude** from **both** taxable income and earned income
- ***Option 2*** - **Exclude** from taxable income and **include** in earned income
- ***Option 3*** - **Include** in **both** taxable income and earned income

# ■ Medicaid Waiver Payments - Income

|          | <b>Taxable Income</b> | <b>Earned Income Calculation</b> |
|----------|-----------------------|----------------------------------|
| Option 1 | Exclude               | Exclude                          |
| Option 2 | Exclude               | Include                          |
| Option 3 | Include               | Include                          |

# ■ Medicaid Waiver Payments - Income

**MWP test** –record the test results in the comments section to track your test results

| Option | Taxable | Earned  | Fed | State | Total |
|--------|---------|---------|-----|-------|-------|
| 1      | Exclude | Exclude |     |       |       |
| 2      | Exclude | Include |     |       |       |
| 3      | Include | Include |     |       |       |
|        |         |         |     |       |       |

# ■ Medicaid Waiver Payments - Income

- Test which outcome is best for taxpayer
- Do this **AFTER** all info entered in return
- Generally best outcome is:
  - Exclude MWP from taxable income

# ■ Medicaid Waiver Payments - Income

## ■ When to include in taxable income:

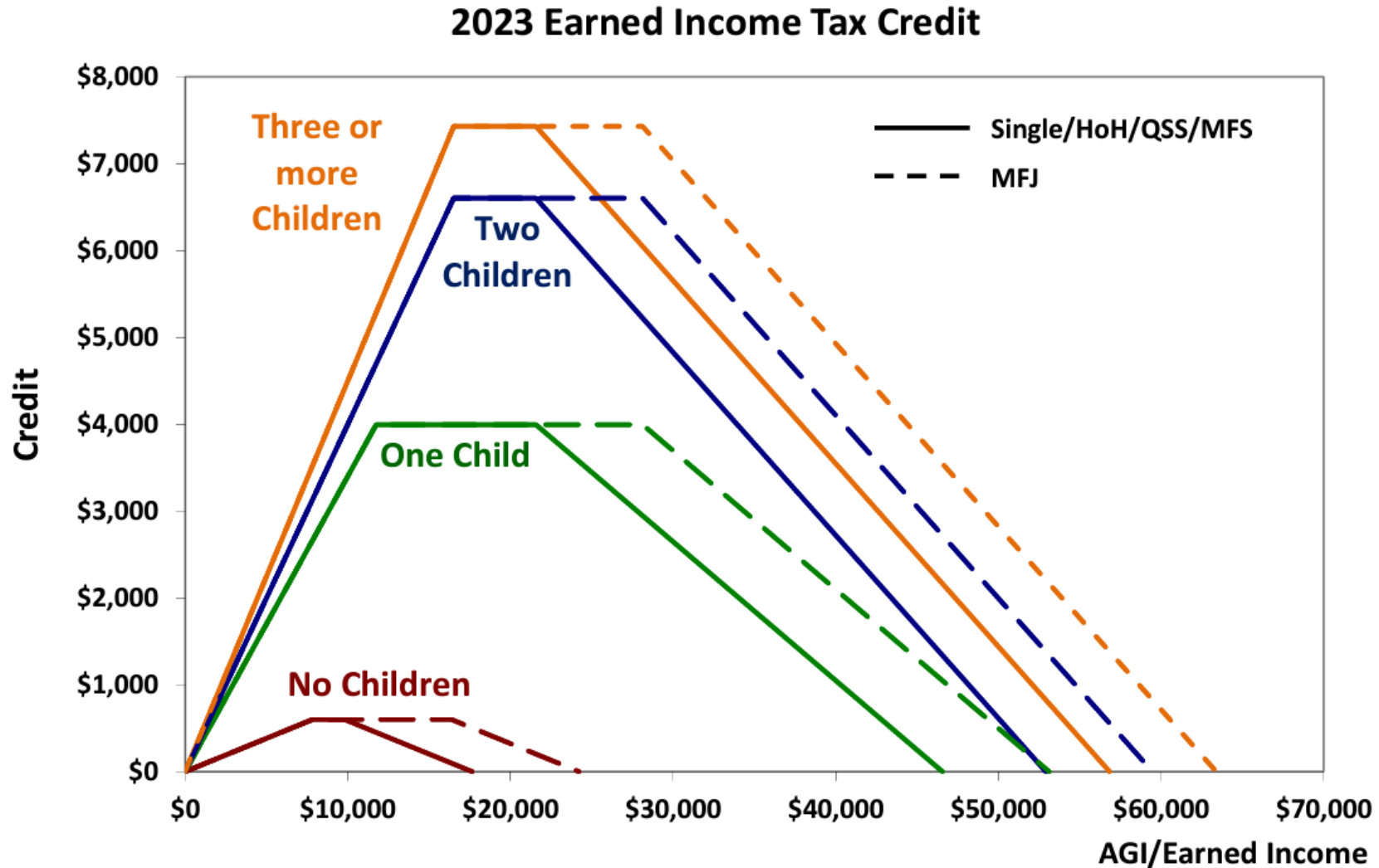
- Taxpayer needs a return showing taxable income
  - Mortgage application
  - Other reasons – social services
- Taxpayer needs to tell you

# ■ Medicaid Waiver Payments - Income

## ■ When to include in earned income:

- Additional Child Tax credit
- Earned Income credit
  - The credit increases as your earned income increases to a maximum point where it levels out and then decreases

# Medicaid Waiver Payments - Income



# ■ Medicaid Waiver Payments - Income

## ■ Below box 14

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

INCLUDE MWP in earned income

### Medicaid Waiver Payment

\$21367

EXCLUDE MWP from taxable income

# ■ Medicaid Waiver Payments - Income

## TaxSlayer entries

|          | Taxable Income | Earned Income Calculation | Enter MWP amount? | Check EIC box? |
|----------|----------------|---------------------------|-------------------|----------------|
| Option 1 | Exclude        | Exclude                   | Yes               | No             |
| Option 2 | Exclude        | Include                   | Yes               | Yes            |
| Option 3 | Include        | Include                   | No                | No             |

# ■ Medicaid Waiver Payments- Income

## ■ 1099-MISC or 1099-NEC

|          | Taxable Income | Earned Income Calculation | Taxable Income Exclusion         | Include in EIC                       |
|----------|----------------|---------------------------|----------------------------------|--------------------------------------|
| Option 1 | Exclude        | Exclude                   | 1099-MISC box 3 and in MWP box   | No checkmark                         |
| Option 2 | Exclude        | Include                   | Enter as Negative "Other Income" | Enter as "Household Employee Income" |
| Option 3 | Include        | Include                   |                                  | Enter as "Household Employee Income" |

# ■ Medicaid Waiver Payments- Income

## ■ No tax form is received

|          | Taxable Income | Earned Income Calculation | Taxable Income Exclusion         | Include in EIC                       |
|----------|----------------|---------------------------|----------------------------------|--------------------------------------|
| Option 1 | Exclude        | Exclude                   | No tax form to report – so       | no entry needed.                     |
| Option 2 | Exclude        | Include                   | Enter as Negative “Other Income” | Enter as “Household Employee Income” |
| Option 3 | Include        | Include                   |                                  | Enter as “Household Employee Income” |

# ■ Personal Time Off (PTO) - Income

## ■ 1099-NEC

- SEIU 503 Health Benefit Trust
- Vacation time paid in cash
- 1099-NEC is *incorrect* form
- This is **not** self-employment income
- Is **not** earned income

# ■ Personal Time Off (PTO) - Income

## ■ 1099-NEC

|  |  |  |
|--|--|--|
| <p>PAYER'S name<br/>Street address<br/>City or town, state or province, country, ZIP or foreign postal code<br/>Telephone no.</p> <p>SEIU 503 HEALTH BENEFIT TRUST<br/>12121 HARBOUR REACH DR #105<br/>MUKILTEO WA 98275</p> |  | <p>OMB No. 1545-0116</p> <p><b>2023</b></p> <p>Form 1099-NEC</p> |
| <p>1 Nonemployee compensation</p> <p>\$1,998.18</p>  |  |  |

# ■ Personal Time Off (PTO) - Income

- **Report as “Other Income”**
- Other income not reported elsewhere
  - In drop-down select “Other Income”
  - Description = **PTO caregiving 1099-NEC**
  - Enter amount in box 1 on 1099-NEC
  - Do NOT check the Earned Income box

# ■ 1040 – Schedule 1 - MWP and PTO

## ■ Schedule 1 Line 8s

s Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d . . . . . 8s ( 21367)

## ■ Schedule 1 line 8z

z Other income. List type and amount: \_\_\_\_\_ 8z 1998  
PTO CAREGIVING 1099-NEC

## ■ Totaled in Schedule 1 line 10

## ■ Carried forward to 1040 Line 8

# ■ Medicaid Waiver Payments – More

## ■ Moodle

- Deeper Dive

- Medicaid Waiver Payments

## ■ [ortaxvolunteers.org](https://ortaxvolunteers.org) > Tools

- How-To's

# ■ Questions?

**Questions?**



**Comments ...**