

IRS News Release

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Affordable Care Act Provides Expanded Tax Benefit to Health Professionals Working in Underserved Areas

Some Who Received Student Loan Relief May Qualify for Tax Refunds

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WASHINGTON – As part of a larger Administration announcement today on efforts to strengthen the health care workforce, the Internal Revenue Service announced today that under the Affordable Care Act, health care professionals who received student loan relief under state programs that reward those who work in underserved communities may qualify for refunds on their 2009 federal income tax returns as well as an annual tax cut going forward.

“Doctors and nurses who choose to practice in underserved areas make a great contribution to their local communities,” Commissioner Doug Shulman said. “By expanding the tax exclusion for student loan forgiveness, the Affordable Care Act provides an even greater incentive to practice medicine in areas that need it most.”

The Affordable Care Act included a change in the law, effective in 2009, that expands a tax exclusion for amounts received by health professionals under loan repayment and forgiveness programs. Prior to the new law, only amounts received under the National Health Service Corps Loan Repayment Program or certain state loan repayment programs eligible for funding under the Public Health Service Act qualified for a tax exclusion.

The Affordable Care Act expands this tax exclusion to include any state loan repayment or loan forgiveness programs intended to increase the availability of health care services in underserved areas or health professional shortage areas and makes this exclusion retroactive to the 2009 tax year.

Health care professionals participating in these programs who have reported income from repaid or forgiven loan amounts on their 2009 returns, possibly after receiving a [Form W-2](#), Wage and Tax Statement, or Form 1099, may be due refunds. Those who believe they qualify for this relief may want to consult their state loan program offices to determine whether the program is covered by the new law.

Health care professionals who have not yet filed for 2009 need not report eligible loan repayment or forgiveness amounts when they file. Those who have already filed may exclude eligible amounts by filing [Form 1040X](#), Amended U.S. Individual Income Tax

Return. This form can be downloaded from IRS.gov or obtained by calling the IRS toll-free at 1-800-TAX-FORM (829-3676). Individuals filing Form 1040X to claim this exclusion should write “Excluded student loan amount under 2010 Health Care Act” in the Explanation of Changes box.

Health care professionals may request an employer or other issuer to provide a [Form W-2c](#), Corrected Wage and Tax Statement, or 1099 and may attach the corrected form to the Form 1040X. However, the Form 1040X may also be filed without attaching a corrected form.

An individual whose employer withheld and paid taxes under the Federal Insurance Contributions Act (FICA) on payments covered under the new exclusion may request that the employer seek a refund of withheld FICA on the employee’s behalf. And because employers also pay a portion of the FICA tax, the employer also may also be entitled to a refund.

To obtain a refund, an employer should file a separate [Form 941-X](#), Adjusted Employer’s QUARTERLY Federal Tax Return or Claim for Refund, for each [Form 941](#), Employer’s Quarterly Federal Tax Return, which needs to be corrected. An employer filing a Form 941-X is also required to file Forms W-2c for each employee who benefits from the exclusion.