

Understanding Multi-cultural Clients, Credits & Challenges

Objectives

- Identify and Apply Credits in Mixed-Status Family
- Know What Taxes H2A Visa Holders are Responsible For
- Understand Certain Medicaid Waiver Payments
- Applying PATH Act Changes
- Identify Which SSN Cards are Eligible
- Resources



Identify Mixed-Status Family

- What is a Mixed-Status Family?
- Family Members Have Different Citizenship or Immigration Status
- Example: Parents are Undocumented - Children are U.S.-born citizens
- The number of mixed-status families is growing
- As of 2012, more than $\frac{1}{4}$ of young children in U.S. have immigrant parents
- Over 90% of these children were U.S. Citizens
- Each member may be eligible for a different health care program



Mixed-Status Families

- Undocumented immigrants are not eligible to buy health insurance and cannot receive subsidies from the ACA Marketplace
- Can a person who is not eligible use the ACA marketplace to apply for Medicaid, CHIP or private health insurance for an eligible family member?
- Are mixed-status families required to file income tax returns in order to buy health insurance under the ACA?



Children's Residency

- USA, Mexico, Canada
- Other Countries
- Tax Treaties
- Exemptions
- EITC
- CTC
- ACTC
- AOTC



Foreign Agricultural Workers on H-2A Visas

Farming is a seasonal business – shortages of labor occurs
Social Security Taxes – federal public pension system for U.S. Workers
The H-2A visa allows temporary agricultural workers entry to U.S.
Agricultural employers sometimes unable to meet seasonal labor demands
Make arrangements for these guest workers
IRS sets the federal Social Security tax rules
The IRS exempts agricultural workers who arrive on H-2A
Both legal residents and non-resident aliens who must return to their country of origin when visa expires



Foreign Agricultural Workers on H-2A Visas

Employers report wages to workers and to the IRS on W-2
Total earnings, income and Social Security taxes that have been withheld

H-2A visa holders, under certain circumstances, are subject to income tax

No Social Security tax withholding may be reported for H-2A visa

None of the worker's wages are subject to Social Security tax

Nor subject to self-employment tax

Workers may not file for Social Security Benefits



Foreign Agricultural Workers on H-2A Visas

Generally an H-2A ag worker is eligible to obtain an SSN

An H-2A ag worker who is unable to obtain an SSN must file for an ITIN

Must provide SSN or ITIN to employer or may be subject to backup withholding

What if a H-2A worker has a valid SSN and has children born in the U.S. does he qualify for EITC, CTC, ACTC if all conditions are met?

Exercise Due Diligence!



Medicaid Waiver Payments

IRS guidance on Medicaid waiver payments

Notice 2014-7 payments are treated as qualified foster care payments excludable under IRC 131 regardless of whether the care provider is related to the eligible individual.

Payments made to a provider for care outside of the home are not qualified Medicaid waiver payments

To achieve consistent tax treatment, IRS reversed course on the treatment of Medicaid waiver payments to relatives

Difficulty-of-care payments excludable under IRC 131



Medicaid Waiver Payments

Form 1099-Misc, Box 3, Other Income

Generally reported in Box 3 and included on line 21 Other Income

Do *not* include the amount on line 21

If paper filed, enter "Notice 2014-7" on the line next to line 21

No entry is necessary if filed electronically

Form 1099-Misc, Miscellaneous Income, 2017. The form includes fields for Payer and Recipient information, and various income categories. A red arrow points to Box 3, Other Income.

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Fees \$	2 Royalties \$	3 Other income \$	4 Federal income tax withheld \$	OMB No. 1545-0115 2017 Form 1099-MISC	Miscellaneous Income
PAYER'S federal identification number	RECIPIENT'S identification number	5 Fishing boat proceeds \$	6 Medical and health care payments \$	7 Nonemployee compensation \$	8 Substitute payments in lieu of dividends or interest \$	Copy 1 For State Tax Department	
RECIPIENT'S name Street address (including apt. no.) City or town, state or province, country, and ZIP or foreign postal code		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds \$	11	12		
Account number (see instructions)	FATCA filing requirement <input type="checkbox"/>	13 Excess golden parachute payments \$	14 Gross proceeds paid to an attorney \$	15a Section 409A deferrals \$	15b Section 409A income \$	16 State tax withheld \$	17 State/Payer's state no. \$
18 State income \$		19 State income \$		20 State income \$		21 State income \$	

Form 1099-MISC www.irs.gov/form1099misc Department of the Treasury - Internal Revenue Service

Medicaid Waiver Payments

Form 1099-MISC, Box 7, Nonemployee compensation

Report as income on Schedule C

And Report the same amount as a Schedule C expense

If paper filed, enter "Notice 2014-7" on the dotted line next to line 12 of Form 1040

No additional entry is required if electronically filed

VOID CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents \$	OMB No. 1545-0115 2017	Miscellaneous Income
		2 Royalties \$	Form 1099-MISC	
PAYER'S federal identification number	RECIPIENT'S identification number	3 Other income \$	4 Federal income tax withheld \$	Copy 1 For State Tax Department
		5 Fishing boat proceeds \$	6 Medical and health care payments \$	
RECIPIENT'S name		7 Nonemployee compensation \$	8 Substitute payments in lieu of dividends or interest \$	
Street address (including apt. no.)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds \$	
City or town, state or province, country, and ZIP or foreign postal code		11	12	
Account number (see instructions)	FATCA filing requirement <input type="checkbox"/>	13 Excess golden parachute payments \$	14 Gross proceeds paid to an attorney \$	
15a Section 409A deferrals \$	15b Section 409A income \$	16 State tax withheld \$	17 State/Payer's state no.	18 State income \$

Form **1099-MISC** www.irs.gov/form1099misc Department of the Treasury - Internal Revenue Service

Medicaid Waiver Payments

Form W-2

Include the full amount of the payment on line 7 of the Form 1040

Enter excludable portion as a negative amount on line 21

If paper filed, enter "Notice 2014-7" on the dotted line next to line 21

No entry is necessary if filed electronically

This income is not eligible as "active income" for

EITC or other refundable credits, even if issued

as a W-2

2222		a Employee's social security number	OMB No. 1545-0008		
b Employer identification number (EIN)		1 Wages, tips, other compensation	2 Federal income tax withheld		
c Employer's name, address, and ZIP code		3 Social security wages	4 Social security tax withheld		
		5 Medicare wages and tips	6 Medicare tax withheld		
		7 Social security tips	8 Allocated tips		
d Control number		9 Verification code	10 Dependent care benefits		
e Employee's first name and initial		Last name		Suff.	
		11 Nonqualified plans		12a	
		13 Salary employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
		14 Other		12c	
				12d	
f Employee's address and ZIP code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax
				20 Locality name	

Form **W-2** Wage and Tax Statement **2017** Department of the Treasury—Internal Revenue Service
Copy 1—For State, City, or Local Tax Department

Apply PATH Act Changes

Protecting Americans from Tax Hikes Act (PATH) of 2015

Program Integrity section

Earned Income Tax Credit (EITC)

Child Tax Credit (CTC)

American Opportunity Education Tax Credit (AOTC)

Refunds for Federal Returns Claiming EITC were not released until February 15 beginning with the 2017 Filing Season

For returns claiming EITC or the ACTC

Apply PATH Act Changes

Earned Income Tax Credit (EITC) Changes

Beginning with Tax year 2016 tax returns:

- Individuals cannot file an amended return to claim EITC for prior years that a qualifying child did not have a valid SSN
- The IRS can bar an individual from claiming EITC for 10 years if the IRS find they have fraudulently claimed the credit
- The EITC is now subject to the penalty for erroneous claim for refunds and credits
- Incorrectly claimed refundable credits will now be taken into account when determining the underpayment penalty

Apply PATH Act Changes

Changes for CTC and AOTC

Beginning with Tax Year 2016

If the IRS determines that an individual has intentionally disregarded the rules for claiming the CTC and/or AOTC they can bar them for two years from claiming either or both of these credits

Individuals cannot file an amended return to claim the CTC or the AOTC for prior years that a qualifying child did not have an ITIN or SSN

The EIN of the educational institution will be required to be reported on Form 8863. If it is missing the IRS will reject the return.

Identify Which SSN Cards are Eligible

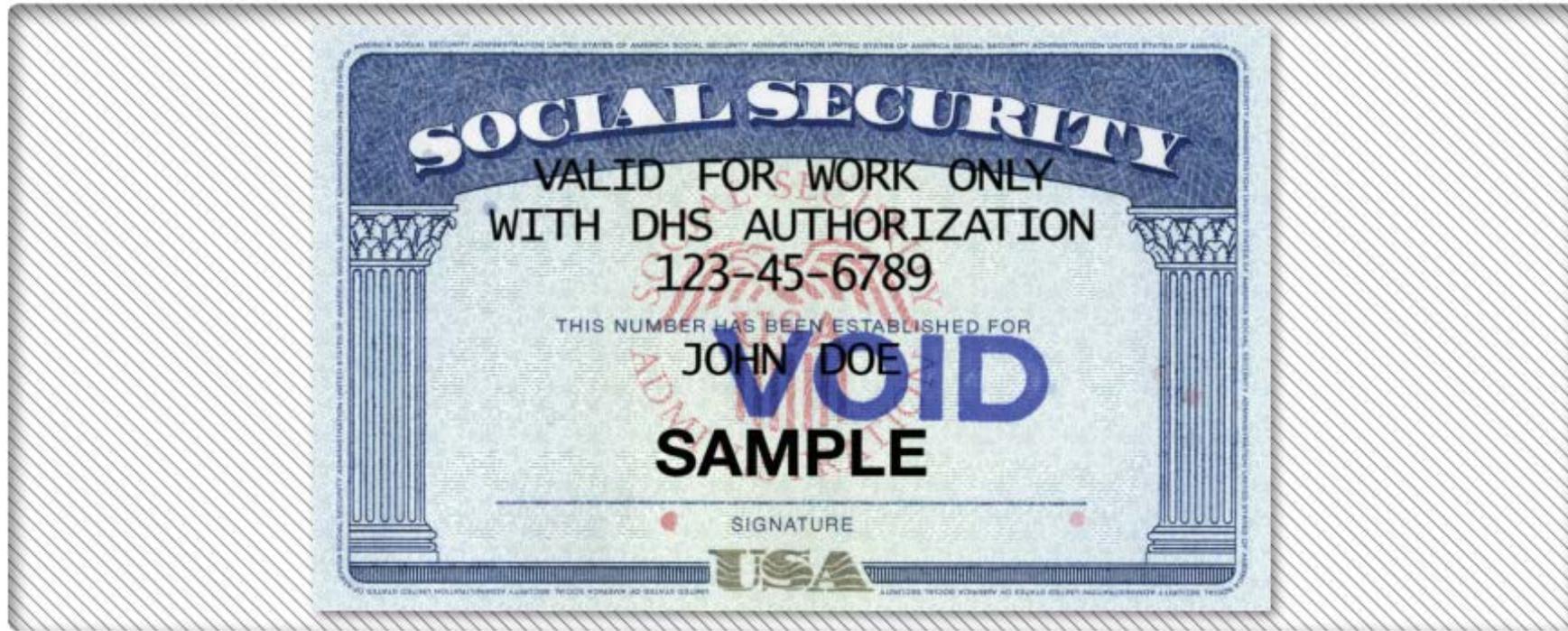
Does your **Social Security card** look like this?



If your Social Security card says **NOT VALID FOR EMPLOYMENT** and you got your Social Security number only for a federally funded benefit like Medicaid, your **can not** use your Social Security number to claim EITC, Earned Income Tax Credit.

Identify Which SSN Cards are Eligible

Or, does it look like this?



If your Social Security card says **VALID FOR WORK ONLY WITH DHS AUTHORIZATION**, you **can** use your Social Security number to claim EITC if you otherwise qualify.

Resources

www.irs.gov/affordable-care-act

www.irs.gov/individuals/international-taxpayers/foreign-agricultural-workers

Publication 525

IRS Publication 3535

IRS Publication 51

AmericanProgress.org

Thank You!

Questions?

866-936-2587