



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF THE CHIEF COUNSEL

November 05, 2018

Number: **2018-0034**
Release Date: 12/28/2018

CC:ITA:B04
GENIN-128888-18

UIL: 131.02-00

Dear _____ :

This letter responds to your request for information dated September 25, 2018, written on behalf of your business clients who provide "Alzheimer, dementia, adult and family care and mental health and residential support services." Specifically, you asked about the tax treatment of "social security personal care services funding" and "Medicaid waiver payments" received by these clients under a program by the "Division of Social Services via a network of oversight groups."

You referred to Notice 2014-7, 2014-4 I.R.B. 445, which concludes that certain Medicaid waiver payments received by an individual care provider are excludable from gross income under § 131 of the Internal Revenue Code (the Code) as difficulty of care payments. The text of the notice is available on our website at www.irs.gov/irb/2014-4_IRB/ar06.html.

Notice 2014-7 specifically addresses payments made under § 1915(c) of the Social Security Act (Act), relating to Home and Community-Based Services waivers, and does not specifically address the tax treatment of other state Medicaid programs. Whether the Internal Revenue Service (IRS) will treat payments received under a state program other than a program under of § 1915(c) of the Act as difficulty of care payments depends on the nature of the payments and the purpose and design of the program. See Q&A1 at www.irs.gov/Individuals/Certain-Medicaid-Waiver-Payments-May-Be-Excludable-From-Income.

If your clients would like the IRS to address whether payments described in your letter or other similar payments are excludible from gross income under § 131 of the Code, they may request a private letter ruling. Revenue Procedure 2018-1, 2018-1 I.R.B. 1, (and the first revenue procedure of each year), provides the procedures and fees for a taxpayer to request a private letter ruling.

This letter has called your attention to certain general principles of the law. It is intended for informational purposes only and does not constitute a ruling. See Rev. Proc. 2018-1, § 2.04, 2018-1 I.R.B. 9 (Jan. 2, 2018). If you have any additional questions, please contact our office at .

Sincerely,

Angella L. Warren
Chief, Branch 4
Office of Associate Chief Counsel
(Income Tax & Accounting)