



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

OFFICE OF THE CHIEF COUNSEL

January 6, 2026

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CC:ITA:B04
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Via First Class Mail

Dear _____ :

This responds to the email sent by you to this office on November 24, 2025, regarding wages you receive from your employer in connection with home health "CNA services" that you provide to

_____. Specifically, you asked about the tax treatment of the wages paid to you, which are funded by a State Medicaid program, and in particular, those wages' status as "difficulty of care" payments for purposes of § 131 of the Internal Revenue Code (Code).

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 Code as difficulty of care payments. The text of the notice is available on our website at www.irs.gov/irb/2014-04_IRB.

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 § 1915(c) of the Act as difficulty of care depends on the nature of the payments and the purpose and design of the program. See Q&A 1 at www.irs.gov/individuals/certain-medicaid-waiver-payments-may-be-excludable-from-income.

If you would like the IRS to address whether payments described in your email are excludable from gross income under § 131 of the Code, you may request a private letter ruling. Revenue Procedure 2026-1, 2026-1 I.R.B. 1 (or its successor, the first revenue procedure of each year), provides the procedures and fees for a taxpayer to request a

private letter ruling. The text of the revenue procedure is available on our website at https://www.irs.gov/irb/2026-01_IRB.

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. 2026-1, section 2.04, 2026-1 I.R.B. 1, 9. If you have any questions, please contact our office at

Sincerely,

Jonathan Dunlap
Assistant to Branch Chief, Branch 4
Office of Associate Chief Counsel
(Income Tax and Accounting)