



***Certain Medicaid Waiver Payments Excludable**

[Notice 2014-7](#) states that individual care providers who receive certain payments under a state Medicaid Home and Community-Based Services Waiver (Medicaid waiver) are receiving difficulty of care payments. These payments are excludable from federal tax, per section 131 of the Internal Revenue Code.

Section 131(b)(1) defines a qualified foster care payment, in part, as any payment under a foster care program of a state or a political subdivision that is either (1) paid to the foster care provider for caring for a qualified foster individual in the foster care provider's home, or (2) a difficulty of care payment.

The notice states that the IRS will treat certain Medicaid waiver payments as difficulty of care payments under section 131, and that this treatment will apply whether the care provider is related or unrelated to the eligible individual.

For more information, see [Notice 2014-7](#).

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*This ruling only covers payments made after January 3, 2014. It might be safe to assume that this ruling could be applied retroactively. Alta Mira does not give tax advice or assistance. Please consult your tax preparer.