# Federal Income Tax Information

A bill was signed into law on March 9, 2002. This bill allows payments to foster care families to be **excluded** from the gross income of a foster family *regardless of the age of the individual receiving foster care services and regardless of whether a private entity makes the placement and payments.*

**The bill provides the tax exclusion for foster care payments for the tax year beginning 2002.**

As an independent contractor providing Family Living Services, Alta Mira Specialized Family Services, Inc. is not required to provide you with a 1099 to verify your income. Please see the attached IRS Publication 525, "Taxable and Nontaxable Income".

**We strongly recommend that you have a Certified Public Accountant (CPA) or qualified tax consultant complete your tax returns in order to comply with IRS regulations and audit procedures.**

For your meeting with your CPA or qualified tax consultant, you may want to bring the following documentation:

- Your Provider Agreement
- New Mexico Department of Health/Developmental Disability Support Division/Developmentally Disability Medicaid Waiver Standard for Family Living Support Services, effective 4/1/2007. A copy of this is in Section 8 of your Family Living Toolbook.
- A letter explaining your status through Family Living Services. A sample of this letter is attached.
- A copy of the Level of Care (LOC) and the Individual Service Plan (ISP) for the participant for whom you provide services.

***Remember that this information is to assist you and is not intended to determine how you will classify your income on your tax returns. Seek the advice of a CPA or a qualified tax consultant of your choice.***

The following was signed into law on March 9, 2002. It allows payments to foster care families to be excluded from the gross income of a foster family regardless of the age of the individual receiving foster care services and regardless of whether a private entity makes the placement and payments. To achieve this, the new law alters the definitions of qualified foster care payment, qualified foster individuals, and qualified foster care placement agency. The bill provides the tax exclusion for foster care payments for the tax year beginning 2002.

**116.STAT.21 PUBLIC LAW 107-147 – MAR. 9, 2002**
**Public Law 107-147**
**107th Congress**
**An Act**
To provide tax incentives for economic recovery.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*.

**SECTION 1. SHORT TITLE; ETC.**

(a) SHORT TITLE. – This Act may be cited as the "Job Creation and Worker Assistance Act of 2002".

(b) REFERENCES TO INTERNAL REVENUE CODE OF 1986 – Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

**SEC.404. EXCLUSION FOR FOSTER CARE PAYMENTS TO APPLY TO PAYMENTS BY QUALIFIED PLACEMENT AGENCIES.**

(a) IN GENERAL, - The matter preceding subparagraph (B) of section 131(b)(1) (defining qualified foster care payment) is amended to read as follows:

(1) IN GENERAL. = The term 'qualified foster care payment' means any payment made pursuant to a foster care program of a State or political subdivision thereof –
(A) Which is paid by –
(i) a State or political subdivision thereof, or
(ii) a qualified foster care placement agency, and

(b) QUALIFIED FOSTER INDIVIDUALS TO INCLUDE INDIVIDUALS PLACED BY QUALIFIED PLACEMENT AGENCIES. – Subparagraph (B) of section 131(b)(2) (defining qualified foster individual) is amended to read as follows:
(B) "a qualified foster care placement agency."

(c) QUALIFIED FOSTER CARE PLACEMENT AGENCY DEFINED. – Subsection (b) of section 131 is amended by redesignating paragraph 26 USC 131.