



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

OFFICE OF THE CHIEF COUNSEL

November 16, 2015

Number: **2015-0040**
Release Date: 12/24/2015

CC:ITA:4
CONEX-136252-15

UIL: 131.00-00; 6041.00-00

Dear _____ :

I am responding to your inquiry, dated November 2, 2015, about the federal income tax treatment of payments received by individual care providers under Minnesota's Consumer Support Grant program.

You forwarded an inquiry from a fiscal intermediary who pays individual care providers under the state-funded Consumer Support Grant program. The inquiry refers 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 section 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.

The notice specifically addresses payments made under section 1915(c) of the Social Security Act, relating to Home and Community-Based Services waivers, and does not specifically address the tax treatment of payments received under other state programs.

Whether the IRS will treat payments received under a state program other than a section 1915(c) program 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 the fiscal intermediary would like the IRS to address whether payments made under Minnesota's Consumer Support Grant program or another program are excludable from gross income under section 131, it may request a private letter ruling on its information reporting obligations under section 6041 for payments under that program. Revenue Procedure 2015-1, 2015-1 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.

I hope this information is helpful. If you have questions, please contact me or
(Identification Number) at .

Sincerely,

Michael J. Montemurro
Chief, Branch 4,
Office of Associate Chief Counsel
(Income Tax and Accounting)