

# Employee Special Tax Exemption Information & Declaration

Direct: 1.866.252.6871 | Fax: 1.888.272.2236 Submittal/Questions: <u>SDSNewHirePacket@fello.org</u> Open a Customer Service Ticket: <u>felloselfdirection.zendesk.com</u> Website: <u>fello.org/selfdirectedservices</u>

### **Employee Special Tax Exemption Information and Declaration**

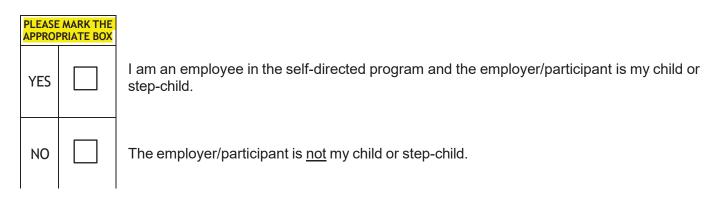
Employees providing domestic services, like those employees hired directly by participants selfdirecting their services, may be exempt from paying certain federal and state taxes that are normally paid by employers and employees. These special tax exemptions are based on an employee's relationship with the employer, their age, or their residential status. Fello uses this form to identify if an employee meets the federal and state special tax exemptions criteria.

**EMPLOYMENT TAX EXEMPTIONS ARE NOT OPTIONAL.** If employees qualify for exemptions, the exemptions must be honored. Please note that if an employee's wages are tax exempt, they may not be eligible for unemployment benefits and their future FICA benefits (Social Security and Medicare) may be affected because of the lack of contribution.

**PLEASE ANSWER EACH QUESTION BELOW TO ENSURE ACCURACY IN PAYROLL**. The questions below are intended to be asked of an employee of the participant/employer to determine special tax exemption status. If you have questions about a unique employee/employer relationship, please contact Fello to discuss the possibility of applicable FICA/FUTA/SUTA exemptions.

### 1. TAX EXEMPTIONS FOR A PARENT EMPLOYED BY HIS/HER OWN CHILD/STEP-CHILD

Are you the parent of the participant/employer?



**Employment Tax Exemption:** If the answer is yes, then the employer and employee are both exempt from paying FICA (Social Security and Medicare) and the employer is exempt from paying FUTA (Federal Unemployment Tax) on wages paid to this employee. The employer may also be exempt from paying State Unemployment Insurance Tax, depending on the rules in the state. Currently the state of MD follows the Federal Rules.

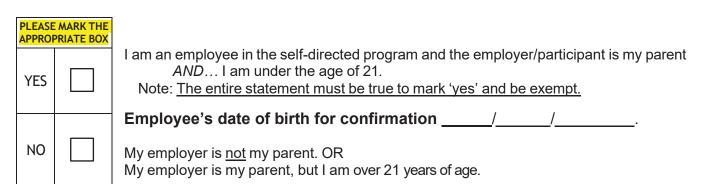


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#### 2. <u>TAX EXEMPTIONS FOR A CHILD/STEP-CHILD EMPLOYED BY HIS/HER OWN</u> <u>PARENT/STEP- PARENT</u>

Are you the child/stepchild of the employer/participant?



**Employment Tax Exemption:** If the answer is yes and the child employee is under 21 during the entire tax year, then the employer and employee are both exempt from paying \*FICA (Social Security and Medicare) and the employer is exempt from paying FUTA (Federal Unemployment Tax) on wages paid to this employee. When the employee reaches age 21, the payments are subject to both FICA and FUTA tax. The employer may also be exempt from paying State Unemployment Insurance Tax, depending on the rules in the state. Currently the state of MD follows the Federal Rules.

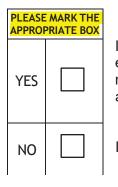


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### 3. TAX EXEMPTIONS FOR A LIVE-IN CAREGIVER

Do you share the same residence (legal address) as the care recipient?



I am the employee in the self-directed program and I reside in the same legal residence as my employer (it does not matter who owns or rents the home nor if we're related). I do not maintain any other legal residence. The shared residence is a home where I reside full time and regularly perform the routines of private life.

I <u>do not</u> reside full-time in the same legal residence as my employer.

**Income Tax Exemption:** If the answer is yes to all qualifying statements, then the employee's income is excluded from federal and state income tax based on the difficulty of care income tax exclusion. Per IRS Notice 2014-7, payments to a care provider for services to a Medicaid Waiver eligible individual sharing a home with the provider are excluded from federal income tax as they are considered difficulty of care payments. See linked resources for more info.

#### **ATTESTATION STATEMENT:**

Under penalties of perjury, I declare that I am an individual care provider receiving payments under a state Medicaid Home and Community-Based Services waiver program for services I provide to the Employer/Participant signing below.

The information I've provided is true and accurate. I understand my responsibility to inform the SDS if my circumstances change. I understand that if these statements turn out to be false, I may personally owe federal income tax and be subject to IRS penalty. I will contact my tax accountant for additional information and guidance, as needed. I understand that the earliest possible tax exemption effective date is the date this completed documentation is received by the SDS. Retroactive tax exemptions cannot be processed. We recommend speaking with a tax professional should you have any questions about the impact of declaring tax exemptions.

Employee Name (please print):	
Employee Signature:	Date:
Participant/Employer Name (please print):	
Participant/Employer Signature:	Date: