

# Treating Qualified Medicaid Waiver Payments as Earned Income for EITC and ACTC Purposes

Taxpayers can receive payments for acting as a caregiver in their home to eligible individuals under a state Home and Community-Based Services Waiver (Medicaid waiver) program. These are called Qualified Medicaid Waiver Payments.

These payments may be excluded from gross income only when the care provider and the care recipient reside in the same home. When the care provider and the care recipient do not live together in the same home, the Medicaid waiver payments must be included in gross income.

A taxpayer may choose to **include** qualified Medicaid waiver payments in the calculation of **earned income** for the Earned Income Credit (EIC) and Additional Child Tax Credit (ACTC). The payments may be included in earned income even if the taxpayer chooses to exclude those payments from gross income.

Note the following:

- A taxpayer may not choose to include or exclude only a portion of qualified Medicaid waiver payments. Either include all or none of the qualified Medicaid waiver payments for the taxable year in earned income.
- If the taxpayer chooses to include qualified Medicaid waiver payments in earned income, that amount will be included in the calculation for both the EIC and the ACTC.

## How to Assist the Taxpayer

Completion of the tax return in the TaxSlayer software depends on how the taxpayer's qualified Medicaid waiver payments were reported.

For specific instructions on entering Qualified Medicaid Waiver payments in TaxSlayer, please see [VITA/TCE Volunteer Tax Alert VTA-2020-03](#).