



Frequently Asked Questions:

The Difficulty of Care Tax Exclusion for Consumer-Directed Attendant Support Services

Updated December 2025 for Public Partnerships LLC. (PPL)

Key Terms

DOC (Difficulty of Care) - A federal tax rule that may let caregivers be excluded from paying income tax if they live in the same home as the person they care for, and they provide services through a Medicaid waiver program like CDASS. DOC only applies to federal and sometimes state income taxes—not Social Security, Medicare, or unemployment taxes.

CDASS (Consumer-Directed Attendant Support Services) - A Medicaid program in Colorado that lets people hire and manage their own caregivers instead of using an agency. Medicaid members have access to CDASS through a Medicaid waiver or Community First Choice.

CFC (Community First Choice) - Another Medicaid program in Colorado that offers a variety of service delivery options and benefits. CFC is not a waiver program. CFC allows more people to be eligible for and access CDASS

FMS (Financial Management Services) - A company that helps CDASS members with things like paying caregivers, handling taxes, filing forms, and conducting attendant background checks. FMS companies in Colorado are contracted by the Department of Health Care Policy and Financing.

IRS (Internal Revenue Service) - The federal government agency in charge of collecting taxes and creating tax regulations.

HCPF (Department of Health Care Policy and Financing) - The Colorado state agency that runs Medicaid programs, including CDASS and CFC.

Private Letter Ruling (PLR) - A request sent to the IRS asking for a written decision about how a tax rule should apply in a specific situation.

W-2 Form - A yearly tax form you get from your FMS. It shows wages earned, taxes taken out, and other details from the tax year.

W-4 Form - A form that tells your FMS how much income tax to take out of your paycheck.

IRS Form 1040 - The main form used to file your federal income tax return. You can use it to report income and claim refunds.



Questions and Answers about Difficulty of Care

1) What is Difficulty of Care (DOC)?

- DOC is a special Internal Revenue Service (IRS) rule. If you live with a Medicaid waiver member and provide them with waiver services, you may not have to pay federal income tax.
- As a Consumer-Directed Attendant Support Services (CDASS) attendant, all the following conditions must be true to qualify for the DOC tax exclusion:
 - a) You provide CDASS care to a CDASS member in a home you two share. It doesn't matter who owns or rents the home.
 - b) You don't live in a different home.
 - c) This is your main home where you eat, sleep, and spend time with your family.
- You do not need to be related to the member to qualify for DOC.
- DOC does not impact Social Security Tax, Medicare Tax or unemployment tax. You may need to pay these taxes even if you qualify for DOC.
- The IRS rule is in [IRS Notice 2014-7](#). The IRS has posted answers to frequently asked questions on its [website](#).

2) What happens if my member is currently in the CDASS program through Community First Choice (CFC) instead of a Home and Community-Based Services (HCBS) waiver?

- DOC is available for members who get services through a Medicaid waiver. Because CFC is not a waiver, DOC was not initially available for you, the attendant, once your member has transitioned to CFC.
- The Department of Health Care Policy and Financing (HCPF) sent the IRS a request (called a Private Letter Ruling) asking for it to allow attendants to qualify for DOC if they provide care to CFC members.
 - ° An IRS Private Letter Ruling is a written statement issued by the IRS that explains certain tax laws and how they apply to a specific taxpayer's or set of taxpayers' specific circumstances.
- The IRS approved HCPF's Private Letter Ruling on December 12, 2025, with an effective date of July 1, 2025.

3) What happens now that the IRS has approved HCPF's request to allow DOC for CFC?

- Public Partnerships LLC (PPL), your Financial Management Services (FMS) provider, will work with HCPF to implement DOC in the CFC program.
- Initially, the CDASS program communicated to stakeholders that any wages that were taxed during the time the IRS was reviewing the request will need to be addressed through your tax return (IRS Form 1040) and any needed amendments to Form 1040.



Questions and Answers about Difficulty of Care

- **Important:** Due to the timing of the ruling, PPL is offering an exception and has processed the Federal Income Tax refunds for the attendants that were previously eligible for DOC under the CDASS waiver in 2025. PPL believes this will simplify tax season for PPL attendants and expedite their federal tax refund.
- **Important:** Refunds were processed on Dec. 24th and distributed in the same manner as regular payroll.
- **Important:** All attendants who were previously eligible for DOC will automatically be reinstated and remain passively eligible until March 30, 2026, unless PPL is aware of any change in circumstance that would otherwise exclude them, or individuals request it be removed.
 - To request for DOC to be removed, contact PPL customer service.
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4) What do I need to do to continue to get DOC after March 30, 2026?

- All attendants must submit an updated DOC form to PPL by April 1, 2026. If a new DOC form has not been submitted, your DOC exempt status will be discontinued.
- To complete a new DOC form, contact PPL customer service.

5) What if I enrolled as a CDASS attendant on or after July 1st 2025 and never had a DOC form on file with PPL?

- Attendants who have only provided services through CFC, meaning their member was never receiving CDASS through a waiver, **do not have a DOC form on file with PPL.**
- If you believe you're eligible for DOC and want to elect to have it applied for tax year 2025, you will need to follow the IRS guidelines for filing wages that qualify for the Difficulty of Care exclusion as of July 1st, 2025. Please refer to the IRS link below, Question 11.
 - [Certain Medicaid waiver payments may be excludable from income | Internal Revenue Service](#)
 - [The Colorado Department of Revenue's website has low cost and free tax resources.](#)
- To have DOC in place for 2026 and after, please complete a DOC form and send to PPL by **February 28, 2026**, to ensure all 2026 wages will be reflected correctly in your 2026 W-2.
- To complete a new DOC form, contact PPL customer service.

 If you have questions about the information in this document, please contact PPL:

 ppcdass@pplfirst.com

 1-888-752-8250

