

Understanding Taxes

PA Programs





Provider Taxes

Taxes are computed as a percentage of the providers' earnings.

The taxes that are withheld from provider pay:

- FICA - Federal Insurance Contributions Act (Social Security and Medicare)
 - One-half of FICA contributions come from provider withholding, and the other half is an employer-side tax.
- FIT - Federal Income Tax
 - Withholding Amounts are based on the W-4 filed out by the provider at hire
- SIT – PA State Income Tax
 - PA Withholding is based on a flat set percentage
 - Has no State Withholding form.

Employer Taxes

In self-direction, the participant or common law employer (CLE) serves as the employer for the providers or SSPs they hire.

As the CLE, you are required to pay employment taxes for your providers. Taxes are computed as a percentage of your SSP's hourly rate, multiplied by the number of hours they worked.

The taxes that the CLE pays are:

1. FICA - Federal Insurance Contributions Act
2. FUTA - Federal Unemployment Tax Act
3. SUTA (SUI) - State Unemployment Tax Authority



Terminology

Term	Definition
EIN – Employer Identification Number	A unique identification number that is assigned to a business entity so that it can easily be identified by the Internal Revenue Service (IRS). It is commonly used by employers for the purposes of reporting taxes.
FICA – Federal Insurance Contributions Act	A U.S. law that creates a payroll tax requiring a deduction from the paychecks of employees as well as a contribution from employers to fund the Social Security and Medicare programs.
FUTA – Federal Unemployment Tax Act	Original legislation that allows the government to tax businesses with employees. This is then allocated to state unemployment agencies and paid to unemployed workers who are eligible to claim unemployment insurance.
SUTA (SUI) – State Unemployment Tax Authority	A state tax usually paid solely by the employer to fund unemployment benefits. The amount paid is determined on a per employer basis and is referred to as their “SUI Rate”.
DOC – Difficulty of Care Income Exclusion	Payments to an individual care provider for services to a Medicaid Waiver eligible individual living in the provider’s home are excluded from federal income tax.



Tax Exemptions and How They Apply

Tax Exemptions

Tax exemptions reduce or eliminate an employee's and/or employer's obligation to pay certain taxes.

Common exemptions include:

- DOC: Difficulty of Care Exclusion (Employee)
- FICA: Federal Insurance Contribution Act (Both)
- FUTA: Federal Unemployment Tax Act (Employer)
- SUI: State Unemployment Tax Act (Employer)





FICA: Federal Insurance Contributions Act

- **Social security tax:** This is the amount deducted from your pay based on the amount of eligible wages. Your employer is also responsible for contributing an identical amount of social security tax, which goes towards your future retirement benefits that begin at age 62.
- **Medicare tax:** This is the amount deducted from your pay based on the amount of eligible wages. Your employer is also responsible for contributing the identical amount of Medicare tax. Medicare is the federal health insurance program for people who are 65 or older and certain young people with disabilities.



FICA: Refunds

If a care provider earns less than \$2,800 per employer during the 2025 tax year, they are considered exempt from FICA tax withholding. Any FICA taxes that were withheld from their paycheck throughout the year will be refunded to them by PPL.

This threshold is specific to domestic household employees and is a per Employer/Employee calculation.

FUTA: Federal Unemployment Tax Act

SUI: State Unemployment Insurance

What is FUTA, SUI?



FUTA - Federal Unemployment Tax Act

- The original legislation that allows the government to tax businesses with employees for the purpose of collecting revenue that is then allocated to state unemployment agencies and paid to unemployed workers who are eligible to claim unemployment insurance.



SUI - State Unemployment Act

- The Tax-funded program by employers to give short-term benefits to workers who have lost their job. As noted on the previous slide. The Pennsylvania NEW Employer rate is 3.82%, but that rate can change year over year based on different criteria, including but not limited to hiring/terminating employees and state budgetary needs. The first \$10,000 is taxable wages by the Employer/Employee.

Relationship Questionnaire

How we determine FICA, FUTA, SUI Exemptions?

The relationship questionnaire is included in the employee's enrollment packet and must be completed by all employees.

How the employee answers these questions will determine if the employee will be exempt from FICA, FUTA, SUI.

TAX EXEMPTIONS FORM

Support Service Professional (SSP) Name

First: Last: PPL ID:

Participant Name

First: Last: PPL ID:

Common Law Employer (CLE) Name

First: Last:

The statements below are used to determine the tax exemptions that may apply to:

- You, the SSP, and
- Your Common Law Employer (CLE).

Such tax exemptions are based on:

- IRS regulations, and
- Any federal or state tax laws that apply.

As a reminder, Public Partnerships LLC (PPL) is not your Employer.

Please complete Part 1 and Part 2.

Part 1 (select one of the following statements)

I am the spouse of the CLE.
 I am the parent of the CLE (including legally adopted children).

Select all that apply:

I also provide care for my grandchild or step-grandchild in my child's home.
 My grandchild or step-grandchild is under 18 or has a physical or mental condition that requires personal care of an adult for at least four weeks in a row during the calendar quarter in which services are performed.
 My child (son or daughter) is widowed, divorced, not remarried or living with a spouse who has a mental or physical condition so the spouse cannot care for my grandchild for at least four weeks in a row during the calendar quarter in which services are performed.
 I am the child of the CLE (including legally adopted children).
 I am not the spouse, parent, or child of the CLE.
 I am a non-resident alien temporarily in the United States on an F-1, J-1, M-1 or Q-1 visa admitted to the US for providing domestic services.

Part 2 (select one, if it applies)

I am a full-time student.
 This job of performing household services (respite) is my primary job.

! IMPORTANT: If your information changes you must report it.

Application For Exemptions, Continued

If one of the following conditions are met, the employer and the employee are exempt from FICA, FUTA and SUI

- Child Employed by Parent until their 21st Birthday for FICA and FUTA.
- Spouse Employed by Spouse
- Parents Employed by Child and answering “No” to any of the additional questions under Part 1 of the Tax Exemption Application regarding caring for a grandchild or step grandchild.

***Note that stepparents are only considered the legal parent of a child if they have adopted the child.*

Difficulty Of Care Tax Exclusion (DOC):

- IRS Notice 2014-7: Payments to an Attendant for services to a Medicaid Waiver eligible individual living in the same residence are excluded from Federal income tax.
- In order to qualify for the exclusion, the attendant must be able to answer YES to the following:
 - I provide services to the individual participant in my home. (It doesn't matter who owns or rents the home)
 - I do not have a separate home where I reside
 - This is the home where I reside and regularly perform the routines of private life, including shared meals and holiday with family

PENNSYLVANIA | ODP PDS VF/EA PROGRAM
public partnerships 
Your #1 choice for self-directed care™

DIFFICULTY OF CARE FEDERAL INCOME EXCLUSION FORM

Support Service Professional (SSP) Name

First:	Last:	PPL ID:
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Participant Name

First:	Last:	PPL ID:
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Common Law Employer Name (this must be completed)

First:	Last:
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Some Employees may not owe taxes on their Self-Directed Services earnings. This is because they qualify for the Difficulty of Care Federal Income Exclusion (DOC). In that case, Public Partnerships LLC (PPL) will not report the payments as income and will not withhold applicable taxes. As a reminder, PPL is not your Employer. To determine if you qualify, read the items below.

Part 1: Applying for Difficulty of Care Federal Income Exclusion
Select all that apply:

I provide services to the Participant in my home.
 I do not have a separate home where I live.
 This is the home where I live and perform the routines of private life, including shared meals and holidays.

! IMPORTANT:

- If all the above apply, you qualify for the DOC.
- If both the state taxing authority and program rules follow federal guidelines for DOC, the exclusion would also apply at the state level.
- You understand that if you no longer live with the Participant, you will no longer qualify. You must cancel the DOC by completing Part 2 below.

If none of the above apply, select the option below.

None of the above.

Part 2: Cancelling Difficulty of Care Federal Income Exclusion
Select if applies:

I no longer live with the Participant that I provide services to.

Tax Statements





Correspondence

PPL as the fiscal agent requests that all correspondence intended for the EOR be sent to our office in Georgia and not to the participant. A notice may be sent to a consumer/employer in error. There are four common types of correspondence an EOR may receive from the IRS or the State tax authorities.

If an EOR receives any of these notices, please contact Customer Service so they can provide a copy to the attention of our Tax Department.

- Tax Notices
- Wage and Tax Statements
- Tax Coupons
- Workers Benefit Claim Statements

IRS FORM W-2

- Form W-2 is an IRS tax form used to report wages paid and the taxes withheld from an employee's wages.
- PPL issues all W-2s no later than January 31st to all attendants earning wages from services they provided.
- As reporting agent's PPL's EIN and company name (along with the Employer's name) will appear in Box B & C of the W2
- Other information such as retirement plan deductions, insurance payments and, as of 2024, DOC payments are reported in box 12 with an alphabetical identifier II.
- State and local wages and deductions are listed in box 16, 17, 18 and 19.

Employee Reference Copy			
W-2		Wage and Tax Statement	
Copy C for employee's records.			
d Control number PR 0012345 T60	Dept.	Corp.	Employee. 0565-0009 A S 1
c Employer's name, address, and ZIP code PUBLIC PARTNERSHIPS FOR PA AGENT FOR JOHN Q EXAMPLE 8000 AVALON BLVD, SUITE 300 ALPHARETTA, GA 30009			
e/f Employee's name, address, and ZIP code JOHN Q EXAMPLE 9000 ANNAPOLIS ROAD PHILADELPHIA, PA 19114			
b Employer's FED ID number 46-1234567	a Employee's SSA number XXX-XX-5678		
1 Wages, tips, other comp. 10650.78	2 Federal income tax withheld 283.48		
3 Social security wages 10650.78	4 Social security tax withheld 660.33		
5 Medicare wages and tips 10650.78	6 Medicare tax withheld 154.44		
7 Social security tips	8 Allocated tips		
9	10 Dependent care benefits		
11 Nonqualified plans	12a See Instructions for box 12		
14 Other 17.52 SUI	12b	12c	12d
			13 Stat. emp. Ret. plan 3rd party sick pay
15 State PA Employer's state ID no. 9000 0000	16 State wages, tips, etc. 10650.78		
17 State income tax 326.98	18 Local wages, tips, etc. 10650.78		
19 Local income tax 358.74	20 Locality name 51		

IRS FORM W-2 - Difficulty of Care (DOC) Exclusion

- For employees living with the participant they serve, payments are excluded from federal income tax.
- If the employee qualifies for the Difficulty of Care (DOC) exclusion, Boxes 1 and 2 on their W-2 will be blank. The wages that qualify for the DOC exemption will be reported in Box 12, using Code II.

Employee Reference Copy		Copy	
W-2 Wage and Tax Statement		20XX	
Copy C for employee's records.			
d Control number PR 0012345 T60	Dept.	Corp.	Employee. 0545-0009 A S 1
c Employer's name, address, and ZIP code PUBLIC PARTNERSHIPS FOR PA AGENT FOR JOHN Q EXAMPLE 8000 AVALON BLVD, SUITE 300 ALPHARETTA, GA 30009			
e/f Employee's name, address, and ZIP code JOHN Q EXAMPLE 9000 ANNAPOLIS ROAD PHILADELPHIA, PA 19114			
b Employer's FED ID number 46-1234567	a Employee's SSA number XXX-XX-5678		
1 Wages, tips, other comp.	2 Federal income tax withheld		
3 Social security wages 10650.78	4 Social security tax withheld 660.33		
5 Medicare wages and tips 10650.78	6 Medicare tax withheld 154.44		
7 Social security tips	8 Allocated tips		
9	10 Dependent care benefits		
11 Nonqualified plans	12a See Instructions for box 12 II 10650.78		
14 Other 17.52 SUI	12b		
	12c		
	12d		
	13 Stat emp. Ret. plan 3rd party sick pay		
15 State PA Employer's state ID no. 9000 0000	16 State wages, tips, etc. 10650.78		
17 State income tax 326.98	18 Local wages, tips, etc. 10650.78		
19 Local income tax 358.74	20 Locality name 51		

IRS FORM W-2: FICA Exemptions

- Based on employee's responses from the relationship questionnaire they may be exempt from FICA
- If the employee is exempt from FICA when they receive their W2 boxes 3, 4, 5 & 6 will be empty.

Employee Reference Copy		Copy	
W-2 Wage and Tax Statement		20XX	
Copy C for employee's records.			
d Control number	Dept.	Corp.	Employee ID# 0545-0000
PR 0012345 T60		A S	1
e Employer's name, address, and ZIP code			
PUBLIC PARTNERSHIPS FOR PA AGENT FOR JOHN Q EXAMPLE 8000 AVALON BLVD, SUITE 300 ALPHARETTA, GA 30009			
e/f Employee's name, address, and ZIP code			
JOHN Q EXAMPLE 9000 ANNAPOLIS ROAD PHILADELPHIA, PA 19114			
b Employer's FED ID number	a Employee's SSA number		
46-1234567	XXX-XX-5678		
1 Wages, tips, other comp.	2 Federal income tax withheld		
10650.78	283.48		
3 Social security wages	4 Social security tax withheld		
5 Medicare wages and tips	6 Medicare tax withheld		
7 Social security tips	8 Allocated tips		
9	10 Dependent care benefits		
11 Nonqualified plans	12a See instructions for box 12		
14 Other 17.52 SUI	12b		
	12c		
	12d		
	13 Stat emp.	Ret. plan	3rd party sick pay
15 State PA	Employer's state ID no. 9000 0000		
	16 State wages, tips, etc. 10650.78		
17 State income tax 326.98	18 Local wages, tips, etc. 10650.78		
19 Local income tax 358.74	20 Locality name 51		

IRS FORM 1099-Misc & 1099-NEC

- The form 1099 is used to report miscellaneous payments made to independent contractors and vendors.
- PPL issues 1099 forms no later than January 31st to all attendants to whom we issue miscellaneous payments.
- An employer is generally not required to provide a 1099 if the following apply:
 - Earned less than \$600 for the year
 - Is a corporation or non-profit (including S Corporations and LLCs electing a C or S corporation classification)

<input type="checkbox"/> CORRECTED (if checked)			
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0115	
1 Rents		Form 1099-MISC	
\$		(Rev. January 2024)	
2 Royalties		For calendar year	
\$		_____	
3 Other income		4 Federal income tax withheld	
\$		\$	
PAYER'S TIN		RECIPIENT'S TIN	
RECIPIENT'S name		5 Fishing boat proceeds	
Street address (including apt. no.)		6 Medical and health care payments	
City or town, state or province, country, and ZIP or foreign postal code		\$	
\$		\$	
7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale		8 Substitute payments in lieu of dividends or interest	
\$		\$	
9 Crop insurance proceeds		10 Gross proceeds paid to an attorney	
\$		\$	
11 Fish purchased for resale		12 Section 409A deferrals	
\$		\$	
13 FATCA filing requirement		14 Excess golden parachute payments	
\$		\$	
15 Nonqualified deferred compensation		16 State tax withheld	
\$		\$	
17 State/Payer's state no.		18 State income	
\$		\$	
Form 1099-MISC (Rev. 1-2024) (keep for your records) www.irs.gov/Form1099MISC Department of the Treasury - Internal Revenue Service			

Miscellaneous Information

Copy B For Recipient

This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

<input type="checkbox"/> CORRECTED (if checked)			
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0116	
Form 1099-NEC		(Rev. April 2025)	
(For calendar year)		_____	
PAYER'S TIN		RECIPIENT'S TIN	
RECIPIENT'S name		1 Nonemployee compensation	
Street address (including apt. no.)		\$	
City or town, state or province, country, and ZIP or foreign postal code		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale	
\$		\$	
3 Excess golden parachute payments		3 Excess golden parachute payments	
\$		\$	
4 Federal income tax withheld		4 Federal income tax withheld	
\$		\$	
5 State tax withheld		6 State/Payer's state no.	
\$		\$	
7 State income		\$	
Form 1099-NEC (Rev. 4-2025) (keep for your records) www.irs.gov/Form1099NEC Department of the Treasury - Internal Revenue Service			

Nonemployee Compensation

Copy B For Recipient

This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

Frequently Asked Questions



Question:	What is an EIN?
Answer:	EIN – Employers Identification Number. A unique identification number that is assigned to a business entity so that it can easily be identified by the Internal Revenue Service (IRS). It is commonly used by employers for the purposes of reporting taxes.
Question:	What is FICA?
Answer:	FICA – Federal Insurance Contributions Act. A U.S. law that creates a payroll tax requiring a deduction from the paychecks of employees as well as a contribution from employers to fund the Social Security and Medicare programs.
Question:	What is FUTA?
Answer:	FUTA – Federal Unemployment Tax Act. Original legislation that allows the government to tax businesses with employees. This is then allocated to state unemployment agencies and paid to unemployed workers who are eligible to claim unemployment insurance.
Question:	What is SUTA (SUI)?
Answer:	SUTA (SUI) – State Unemployment Tax Authority. A state tax usually paid solely by the employer to fund unemployment benefits. The amount paid is determined on a per employer basis and is referred to as their “SUI Rate”.

FAQs	
Question:	What is DOC?
Answer:	DOC – Difficulty of Care Income Exclusion. Payments to an individual care provider for services to a Medicaid Waiver eligible individual living in the provider's home are excluded from federal income tax.
Question:	What is the SS-4 form?
Answer:	Form used to apply for an employer identification number.
Question:	What is the 2678 form?
Answer:	Form used to grant power of attorney which allows PPL to be Agent for the Employer who may or may not be our consumer.
Question:	What is a W-2 form?
Answer:	Form provided to employees at the end of the year. This form provides their wage, tax and other reportable information they'll use to file their tax return.
Question:	What is a 1099 form?
Answer:	Form provided to independent contractors at the end of the year. This form provides their wage, tax and other reportable information they'll use to file their tax return.

FAQs

Question:	What is a W-4 form?
Answer:	Form employees use to let their employer know how much tax to withhold from their paycheck.
Question:	Why are my Federal wages different from my State wages in relation to DOC exclusions?
Answer:	Difficulty of care excludes income from being federally taxable. IRS guidance is that income earned under difficulty of care be excluded from the form W-2 in box 1 (wages) and box 2 (federal income tax withheld) however states may or may not follow the IRS exclusion.
Question:	Why did I receive a refund of my Social Security and Medicare taxes? (FICA Refund)
Answer:	Common reasons – <ul style="list-style-type: none">• Change in Employer/Employee relationship (i.e. marriage or mistake on original form)• Employee earned less than the \$2,800 federal threshold within the 2025 tax year.
Question:	Why were there no federal income taxes deducted from my paycheck?
Answer:	The employee may be Difficulty of Care Exempt. The employee may have a high number of allowances or has claimed 'exempt' on their Form W-4.

FAQs

Question:	Why wasn't there any Social Security or Medicare deducted from my paycheck?
Answer:	The employee may be FICA exempt.
Question:	Does enrollment run a review of expired/outdated W-4s to be updated and is it a federal requirement that they be updated?
Answer:	Form W-4s do not necessarily expire unless the employee changes employers. There is no federal requirement to update Form W-4 with one exception. If the employee claims to be exempt on their W-4 this must be updated every year.
Question:	Where can I get additional copies of enrollment forms, information packets, etc.?
Answer:	Go to the PPL website, find your program, and click on the Program Documents tab.