



THE STATE
of **ALASKA**
GOVERNOR MICHAEL J. DUNLEAVY

Department of
Health and Social Services

SENIOR AND DISABILITIES SERVICES

550 W 8th Avenue
Anchorage, AK 99501
Main: 907.269.3666
Toll free: 800.478.9996
Fax: 907.269.3689

MEMORANDUM

TO: Providers of Residential Habilitation Services
THRU: Doug Jones, Program Integrity
FROM: Deb Etheridge, Acting Director, Division of Senior and Disabilities Services 
DATE: December 27, 2019

RE: Tax Treatment for Family Habilitation Services

The Alaska Division of Senior and Disabilities Services (SDS) pays for 24/7 residential supports for people served in Home and Community Based (HCBS) Waivers using two primary mechanisms under the waiver service of Residential Habilitation: Family Habilitation and Group Home Habilitation. Group Home Habilitation is provided in a licensed assisted living home (ALH) using shift staff to support individuals ages 16 and older. Family Habilitation is provided by a family that takes one or two people into their own home which must be licensed as an ALH.

Because Family Habilitation services are meant to support an individual in a private home, the payment can be considered a stipend that, under certain circumstances, may not be considered as taxable income.

SDS does not give tax advice to any of its providers and encourages providers to talk to their accountants or other financial professionals about this issue.

The following Internal Revenue Service (IRS) documents may be helpful in this discussion:

- IRS Notice 2014-7 discusses the tax treatment of foster care payments under HCBS waivers (https://www.irs.gov/irb/2014-04_IRB#NOT-2014-7)
- The IRS has posted questions and answers about this issue at: <https://www.irs.gov/individuals/certain-medicaid-waiver-payments-may-be-excludable-from-income>.

If you have questions you may contact Lynne Keilman-Cruz, Chief of Quality, at (907) 269-5606.