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Volume 12 Issue 4

April 28, 2017

***APRIL ISSUE***

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**Family Caregivers and Self-Employment Tax**

Special rules apply to workers (caregivers) who perform in-home services for elderly or disabled individuals. Caregivers are typically employees of the individuals for whom they provide services in the homes of the elderly or disabled individuals. If the caregiver employee is a family member, the employer may not owe employment taxes even though the employer needs to report the caregiver's compensation on a Form W-2. See [Publication 926, Household Employer's Tax Guide](#) for more information. However, in some cases the caregivers are not employees. In such cases, the caregiver must still report the compensation as income on his or her Form 1040, and may be required to pay self-employment tax.

The following FAQs illustrate some fact patterns involving family member caregivers who are not employees.

**Q 1:** Must a taxpayer pay self-employment tax on the income she received from an insurance company to care for her spouse who was injured in an accident and permanently disabled? The taxpayer is caring for her spouse in their home in an effort to avoid moving him to a nursing facility and also to reduce caregiving costs. The spouse requires assistance with dressing, bathing, eating, etc; the taxpayer also administers medication and helps with basic physical therapy. Taxpayer is neither a trained nurse nor therapist and doesn't provide such services to anyone other than her spouse. Taxpayer received Form 1099-MISC from the insurance company with the amount paid shown in Box 7 as nonemployee compensation.

*Continued on next page*

**Client Satisfaction Survey**

**Keep An Eye Out For Our Annual Survey**



**Coming Through Your Mail**

**Marcia L. Campbell, CPA** has a core value which centers around *Excellence in Customer Care*. To ensure that this standard is being met, we are asking for your comments. What you tell us in the upcoming survey is very important as we strive to improve our service to you.

***We Appreciate Your Help!***

Please contact our office for more information. †

## What Our Clients Say About Us

*Marcia has done my taxes for over seven years and I am always pleased with the professional and friendly way I am treated. Marcia and her staff make me feel like a family member”*  
-KF

### Tax Returns Lacking ACA Coverage Status Will Not be Rejected

The IRS has announced that it will continue to process individual returns that do not report the taxpayer's health coverage status under the *Affordable Care Act* (ACA). The IRS will accept returns that fail to indicate coverage, an exemption or a shared responsibility payment. The IRS had planned to reject these returns (known as "silent returns") this filing season after having accepted them in past years. Taxpayers may, however, be contacted later the IRS cautioned.

The IRS left open the question of whether it would revise other aspects of ACA compliance during the balance of this filing season.

**Executive order.** Shortly after taking office, President Trump announced that it is the policy of his administration to seek "prompt repeal" of the ACA.

**Return processing.** Processing silent returns means that returns are not systemically rejected by the IRS at the time of filing. This allows the returns to be processed and minimizes the burden on taxpayers, including those expecting a refund the agency reported.

**Follow-up.** Taxpayers may receive follow-up questions and correspondence at a future date, about their coverage status, after the filing process is completed the IRS reported.

Source: irs.gov

Please contact our office for more information.†

*Family Caregivers and Self-Employment Tax...continued from page 1*

**A 1:** No, the taxpayer does not owe self-employment tax on amounts reported on the 1099-MISC she received from the insurance company if she is not engaged in a trade or business of providing caregiving services, as appears to be the case in this situation. The taxpayer must report the full amount of the payment on line 21, Other Income, of Form 1040.

**Q 2:** Must a taxpayer pay self-employment tax on the income received from a state agency to care for his grandchildren so that his daughter can work? Taxpayer doesn't have a day care business or look after any other children. Taxpayer receives Form 1099-MISC from the state agency with the amount paid shown in Box 7 as nonemployee compensation.

**A 2:** No, the taxpayer does not owe self-employment tax on amounts reported on the 1099-MISC he received from the state agency if he is not engaged in a trade or business of providing day care services, as appears to be the case in this situation. The taxpayer must report the full amount of the payment on line 21, Other Income, of Form 1040.

**Q 3:** Must a taxpayer pay self-employment tax on the income received from a state agency to care for her grandmother if the taxpayer operates a sole proprietorship adult day-care business for multiple clients, including her grandmother, in her home? The state agency pays for the care so that the grandmother need not be institutionalized. Taxpayer receives Form 1099-MISC from the state agency with the amount paid shown in Box 7 as nonemployee compensation.

**A 3:** Yes, the taxpayer owes self-employment tax since the taxpayer is engaged in a trade or business of providing caregiving services as a sole proprietor operator of an adult day care. The taxpayer must report the full amount of the payment as income on both Schedule C and Schedule SE.

Source: irs.gov

Please contact our office for more information.†