



September 29, 2015

Re: Certain NICA Payments Excluded From Income For Federal Tax Purposes

Dear Parents:

In recent years we have seen more awareness of and a positive shift in attitude toward children with disabilities and their families. Last year the IRS ruled that the compensation paid to parents for care of their own children in lieu of nursing care that would have been paid for under a specific Medicaid program would be excludable from gross income when filing their federal income tax returns. After seeing this ruling NICA hired tax counsel to seek a similar ruling on behalf of NICA parents who are reimbursed for professional care they provide to their children.

I am extremely pleased to let you know that on July 28, 2015 NICA received a Private Letter Ruling from the IRS that provides, in part, that “payments for care normally rendered by trained professional attendants which is beyond the scope of child care duties, but which is provided by family members” under the NICA Plan “**are excludable** from the recipient parent’s or legal guardian’s gross income...”. A copy of the ruling is enclosed for your convenience. We have also posted a copy of the ruling on our website at [www.nica.com](http://www.nica.com).

This ruling is very specific to the NICA statute, and income will be excludable for “parents or legal guardians” only. It does not affect any other caregiver your child may have. We will no longer send out IRS Form 1099 to parents or legal guardians receiving these payments.

We recommend that you provide this Letter Ruling to your accountant or tax preparer to determine exactly how it may affect you. In addition to excluding this income from future federal income tax returns, you may be able to use this ruling to file amended federal income tax returns for previous years and receive refunds of tax previously paid on this compensation. We are advised by our tax counsel that there is a three year statute of limitations on refund claims, so if you intend to file amended returns, it is important that you do so expeditiously.

It is a pleasure for me and the NICA staff to work with you and your family. I hope you will find this new ruling will make a very positive difference for you.

Sincerely,

Kenney Shipley,  
Executive Director

Enclosure