

## **Updated Information on Foster Care Payments and 1099's from Private Providers Association of Texas (PPAT)**

On Monday, April 4, 2011, via a conversation with the IRS Chief Legal Counsel, Private Providers Association of Texas (PPAT) received a status report on the IRS Bulletin that we have heard will provide a 'new' interpretation of the Internal Revenue Code, Section 131. Prior to reviewing the information, it is important to emphasize that this ALERT is for informational purposes only. It is not intended to offer tax advice or suggest that the 'favorable' status report received will be the decision noted in the bulletin. As stated in previous alerts on this subject, foster families are urged to consult with their respective tax advisers regarding this updated information.

### Summary of Conversation

1. An IRS notice on the issue of Foster Care payments to biological parents and 1099's has been drafted and is being circulated for review/approval. Note: Although no opposition to the drafted notice has been received thus far, the fact remains that this could change.
2. As drafted the notice will provide a 'new' interpretation of current law under Section 131 of the Internal Revenue Code related to "difficulty of care payments" that is more favorable than the interpretation issued in March 2010; i.e. the drafted notice referred to by the IRS Chief Legal Counsel will provide an interpretation that will exclude Foster Care payments paid to biological families from taxable income.
3. The IRS Notice may not be available prior to the April 18, 2011 deadline for filing taxes.

Although the above information from the IRS appears that 'favorable' news will soon be received, the fact remains that the notice is still in 'draft' form. PPAT thus urges providers to urge foster families to whom 1099's were issued to share this updated information with their respective tax preparers so they are aware of the current status of this forthcoming revised interpretation.