



WASHOE COUNTY HUMAN SERVICES AGENCY

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May 4, 2021

Dear Foster Parent,

Please read this letter in its entirety for **important tax information** regarding respite payments.

We were recently notified that Washoe County Human Services Agency is required to issue 1099 tax forms to all foster parents who are paid \$600 or more in respite earnings, as respite is considered a taxable event by the IRS. If your total respite earnings are \$599 or less, a 1099 will not be issued. This is effective January 1, 2021, so you will receive a 1099 in early 2022 to file with your 2021 taxes.

What DOES NOT count as respite earnings?

WCHSA's Alternative Care Policy outlines the option to receive respite payments to off-set costs associated with taking the whole family, *inclusive of the foster children*, on a family vacation. These payments are paid directly to the foster parent with whom the foster child resides. Issuing respite funds as an *inclusion* is not a taxable event and therefore a 1099 would not be issued.

Example: The Smith family is requesting to take their 4 foster youth on vacation for 7 days. The Smith family will be paid directly for *inclusive* respite. At a rate of \$30 per day for 7 days for 4 children, they would be paid \$840. The Smith family would not be issued a 1099.

What DOES count as respite earnings?

WCHSA's Alternative Care Policy outlines the option for foster families to use funding to select and pay an alternate licensed foster parent, which is done using the current Respite Request process. This process is not changing. What has been newly interpreted is that when an alternate caregiver is used to provide respite for a foster child and the respite payment is made directly to that alternate caregiver it is considered a taxable event, as it meets the IRS's definition of respite earnings. Therefore, a 1099 will be issued to the alternate caregiver if their respite earnings for the calendar year total \$600 or more.

Example: The Smith family is requesting to place their 4 foster youth in respite with the Jones family for 7 days. The Jones family will be paid directly for providing respite. At a rate of \$30 per day for 7 days for 4 children, they would be paid \$840. The Jones family would be issued a 1099 due to earning more than \$600.

What's next?

There may be additional paperwork required to receive respite payments for the alternate care scenario described above. Our fiscal team is working to gather all the necessary information and we will update you as new information is available.

Please remember that WCHSA staff cannot provide tax advice. We encourage you to speak with your tax advisor to help answer any questions on how a 1099 may impact you. Please route any other questions to WCHSA through HSA-RespiteRequests@washoecounty.us.

Again, we will continue to share any updated information. This is a new process for the Agency and we thank you for your patience.

Sincerely,

Amy Sandvik
Coordinator, Human Services Agency



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