

Seniors and People with Disabilities

Genevieve Marie Sundet
Authorized Signature

Number: SPD-IM-04-115
Issue Date: 12/23/2004

Topic: Provider Information

Subject: FICA Tax Deductions for Spousal Pay Providers

Applies to (check all that apply):

- | | |
|------------------------------------------------------------|--------------------------------------------------------------------------|
| <input type="checkbox"/> All DHS employees | <input type="checkbox"/> County Mental Health Directors |
| <input checked="" type="checkbox"/> Area Agencies on Aging | <input type="checkbox"/> Health Services |
| <input type="checkbox"/> Children, Adults and Families | <input checked="" type="checkbox"/> Seniors and People with Disabilities |
| <input type="checkbox"/> County DD Program Managers | <input type="checkbox"/> Other (please specify): |

Message: DHS recently discovered that we need to deduct FICA and Medicare taxes for Spousal Pay Program providers in order to comply with Internal Revenue Service regulations. The Department has been deducting FICA and Medicare taxes for all other types of Homecare Workers enrolled in the Client-Employed Provider Program. A temporary rule change is being filed effective 1/1/05 to OAR 411, division 031 because existing rules state that FICA is not deducted for Spousal Pay providers.

A letter is being sent to all Spousal Pay Program Providers. A copy of the letter is attached for your information in case you receive calls in the local offices.

No action is required by local SPD/AAA offices. The client pay-in will not be affected by this action. Since Spousal Pay is a non-waivered service, clients do not pay-in toward the cost of the services provided by the Spousal Provider.

Effective 01/01/05, the Department will begin paying the Client-Employer's share of the FICA and the Employee-Homecare Workers' share will be deducted from their gross wages.

If you have any questions about this information, contact:

Contact(s):	Mary L. Lang, In-Home Services Program		
Phone:	(503)945-5799	Fax:	(503)947-4245
E-mail:	mary.l.lang@state.or.us		

Attention: Spousal Pay Providers

December 20, 2004

Re: Tax Withholding for FICA

Dear Spousal Pay Providers:

The Department of Human Services, Seniors and People with Disabilities (SPD) will begin deducting FICA (Federal Insurance Contribution Act) employment taxes from the gross wages paid to Spousal Pay Providers effective January 1, 2005. The Department has notified the Homecare Workers' Union that we will be taking this action. FICA withholdings are sent to Social Security Administration. These withholdings will be applied to your Social Security Benefits and Medicare account. SPD has been withholding FICA from the gross wages of other types of Homecare Workers for quite some time.

The Department is required to withhold FICA for Spousal Pay Providers under the regulations of the Internal Revenue Service (IRS). These deductions are not optional. There will be no appeal process for Spousal Pay Providers who are unsatisfied that FICA is being withheld. The Department must follow all federal regulations in deducting FICA.

Many providers will be happy to know that the withholdings will go towards Social Security and Medicare benefits. You may notice that your net paycheck is slightly smaller as the result of these tax deductions. FICA is calculated by adding 6.2% (FICA) and 1.45% (Medicare) and multiplying this sum (or 7.65%) times gross wages. The Department pays the employer's share of the FICA on behalf of the DHS client receiving Spousal Pay services. You only pay the employee's share of the FICA. Your share will be automatically withheld from your check and sent to Social Security Administration.

At the end of the tax year, some individuals receive a FICA tax refund. The FICA refund will be based on the total gross earnings earned by the provider in an entire year. If the provider earns less than the Federal Standard set by the IRS and Social Security then the provider will be sent a FICA refund along with a letter of explanation.

If you have any questions about FICA deductions, please contact your tax specialist or the Internal Revenue Service 1-800-829-1040.