

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



March 8, 1996

ALL-COUNTY LETTER NO. 96-06

TO: ALL-COUNTY WELFARE DIRECTORS

Reason For This Transmittal

- State Law Change
- Federal Law or Regulation Change
- Court Order or Settlement Agreement
- Clarification Requested by one or More Counties
- Initiated by CDSS

SUBJECT: IN-HOME SUPPORTIVE SERVICES INDIVIDUAL PROVIDER VALID TAX CODES ("B" TAX STATUS CASES)

REFERENCE: WELFARE AND INSTITUTIONS CODE SECTIONS 12302, 12302.1, 12302.2, AND 12302.4; MANUAL OF POLICY AND PROCEDURES SECTIONS 30-767.11, .12, AND .13; 10-203, AND 23-600 et seq.

This letter clarifies the statutorily authorized methods for which state and federal funding is available to provide In-Home Supportive Services (IHSS), and resolves tax reporting issues in the Individual Provider (IP) Mode. The above referenced Welfare and Institutions Code (W&IC) Sections and Manual of Policy and Procedures (MPP) Sections provide for services by County Contract (CC) mode, County Homemaker (HM) mode, and IP mode.

The IP mode allows recipients to hire their own providers. The Case Management, Information and Payrolling System (CMIPS) was established to assist the recipient in her/his role as employer. On behalf of the recipient, CMIPS withholds employee taxes and pays employer taxes (see W&IC 12302.2). When the payrolling system was established tax codes were implemented on the Provider Eligibility form, SOC 311, to identify the various categories of tax obligations, which are:

- Parent (P) provider
- Child (C) provider
- Spouse (S) provider
- Business (B) provider
- Other (O), all other providers.

The "B" provider code was originally included in the payroll design for the rare instances when a recipient wished to use a cleaning service to provide a one time only heavy

cleaning or yard hazard abatement. However, this type of payment is not appropriate for CMIPS and its usage must be terminated.

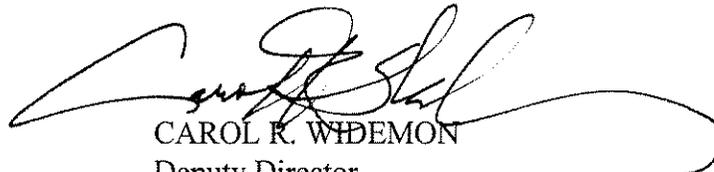
Non-profit or proprietary IHSS vendors that provide services to IHSS recipients must come under the contract provision of services as authorized by W&IC 12302 and regulated by MPP 10-203 and MPP 23-600 et seq. Therefore, effective May 1, 1996, the "B" provider code will be removed from CMIPS and will no longer be valid for individual providers. CMIPS will no longer accept a "B" code for new individual providers nor pay providers currently coded "B".

Before May 1, 1996, counties shall take action to either enroll or convert businesses with a "B" code to individuals with a valid social security number. The CDSS will notify those providers with a "B" code, and the recipients they serve, of this action so that they may make alternative arrangements (see attachment). Prior to implementation the CDSS will send a listing of the "B" code providers, and the recipients they serve, to the applicable counties. County staff should work closely with these recipients to ensure the continuity of needed services by assisting them to obtain a new provider when necessary.

If counties choose to use contract vendors to provide one-time-only services, such as heavy cleaning, MPP 10-203.2 and MPP 23-600 et seq should be used for guidance.

Please contact Bill Schimeck at (916) 229-4014 if you have any questions or comments concerning this letter.

Sincerely,



CAROL R. WIDEMON
Deputy Director
Adult Services Division

Attachments

DEPARTMENT OF SOCIAL SERVICES
744 P Street, Sacramento, CA 95814



IMPORTANT NOTICE

Dear Provider of In-Home Supportive Services:

Our records show that you are an individual provider, agency or business that provides In-Home Supportive Services (IHSS) and receive payments through the Case Management, Information and Payrolling System. The record also shows you have a business ("B") tax status code for purposes of withholding employee payroll taxes.

The State IHSS payrolling system was established under the Welfare and Institutions Code section 12302.2 to assist recipients to properly withhold employee taxes, and pay employer taxes on behalf of the recipient. IHSS recipients can only employ individual providers who are not a business through this system.

Effective May 1, 1996, the special "Business Tax Status" code will be deleted from the State IHSS payrolling system. This means that any individual provider, agency, or business with a "B" tax status code will no longer be paid as an IHSS provider. To continue receiving IHSS, the individuals who now receive services paid for by your agency or business must select and hire their own providers who will be paid directly through the State IHSS payrolling system. They must also report the new provider information to their local IHSS office by **April 30, 1996**.

Please contact your local IHSS office if you have any questions about this notice.

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IMPORTANT NOTICE

Dear Recipient of In-Home Supportive Services:

Our records show that your provider of In-Home Supportive Services (IHSS) is a business. The law requires that this business must have a contract with the county to continue to provide IHSS to you.

By May 1, 1996, all businesses providing IHSS must contract with the county or change to the Individual Provider Mode or they will not be paid for their service.

We want your services to continue. It is very important to call your county social service worker at once if you will need help to keep your current provider, or help to find a new provider.