INTRODUCTION

The Federal Insurance Contributions Act (FICA) tax is an employment tax imposed by the federal government on both employees and employers to fund Social Security and Medicare. In the Home Help program, clients are the employers and individual caregivers are the employees.

As the state fiscal agent, the Michigan Department of Health and Human Services (MDHHS) pays FICA taxes on behalf of individual caregivers. MDHHS does not pay worker's compensation, liability insurance, or other state and federal taxes.

FICA taxes are a combination of Social Security and Medicare taxes that total 15.3% of an individual caregiver's earnings. The individual caregiver pays half of the total bill (7.65%), which includes a 6.2% Social Security tax and a 1.45% Medicare tax on their earnings. MDHHS pays the client's half of the taxes on their behalf.

DHS-4771

DHS-4771, Authorization for Withholding of FICA Tax in Home Help Payments.

The DHS-4771, Authorization for Withholding of FICA Tax in Home Help Payments, allows the State of Michigan to act as the client’s filing agent. The State of Michigan will withhold FICA taxes from the wages paid, on the client’s behalf, to Home Help individual caregivers.

The Michigan Department of Health and Human Services (MDHHS) will pay the amount of FICA tax the client is responsible for and withhold the caregiver’s portion from the monthly Home Help payment. The combined amounts will be sent to the Internal Revenue Service (IRS).

MDHHS, acting as the client’s fiscal agent, will file an IRS-941, Employer’s Quarterly Federal Tax Return, for the client and issue a W-2 for the individual caregiver at the end of the year. This enables the caregiver to obtain work credits for Social Security and Medicare benefits.

The client or guardian's signature and date is required on the DHS-4771 and must be retained in the client’s case record for the life of the case.

The DHS-4771 is completed once, at case opening, for **all** new Home Help cases.

Note: Verbal attestation of the DHS-4771, Authorization of Withholding of FICA Tax in Home Help Payments, is acceptable during the COVID-19 public health emergency from 4/1/2020 through 5/11/2023.

FICA EXCLUSIONS

FICA is not withheld from Home Help payments when the caregiver is one of the following:

- A parent of the client (including adoptive, foster, stepparent).
- A child 18 through 20 years old who is providing Home Help services to a parent.

  Note: If a parent or child caregiver requests FICA be withheld, the ASW must change the caregiver relationship in MIAIMS to 'Other Relative' on the *Provider/Time Task* tab and provide an explanation in the case narrative.
- An agency provider.

Note: The State of Michigan does not pay the FICA employer portion on the above exclusions. If the client has selected the Medicaid personal care option, the state is **not** responsible for paying FICA tax on the Medicaid deductible paid by the client to the caregiver each month.

FICA REBATES

FICA rebates are issued to all individual caregivers who earn less than the gross limit set by the federal government; see:

Publication 15 (2026), (Circular E), Employer's Tax Guide | Internal Revenue Service

Publication 926, Household Employer's Tax Guide | Internal Revenue Service

The MDHHS Accounts Payable Unit issues FICA rebates after the end of the calendar year. The FICA rebate warrant is issued to the caregiver only at the **primary pay to address** listed in CHAMPS.

The adult services worker will be able to identify FICA rebate warrants in MiAIMS by the service period and service code. The

service period will reflect the entire year. MiAIMS will display 'FR' for FICA rebate.

Note: If a FICA rebate warrant is returned to Treasury as undeliverable, MiAIMS will generate a DCH-2362A, Adult Services Warrant Rewrite/Disposition Request, for the warrant to be rewritten or canceled.

FICA CORRECTIONS

If corrections are needed to previous FICA withholdings, the caregiver should contact a tax professional. The ASW can change the relationship code in MiAIMS to correct the future FICA deductions, but past withholdings cannot be corrected by MDHHS.

When a caregiver cashes their check, they are affirming that FICA was correctly withheld from their payment.

CONTACT

For questions contact MDHHS-Home-Help-Policy@michigan.gov.