

DDD Vendor Fiscal/Employer Agent (VF/EA) Self-Directed Services Model

FAQ: Billable Rates and Possible Tax Exemptions

What is the employer burden and how is it calculated?

Both employers and employees are required to pay certain taxes. The employer pays some taxes, the employee pays some taxes, and for some taxes, the employer and employee both pay a portion. The “employer burden” is the total dollar amount the employer must pay per employee:

(Sum of percentage rates of all employer-paid taxes) x (Employee hourly wage) = Employer Burden

Table 1: Taxes Employers and Employees are typically required to pay (in NJ)

Tax	Who Pays?
State Income Tax	Employee
Federal Income Tax	Employee
Social Security Tax and Medicare Tax (FICA)	Employer and Employee
Temporary Disability Insurance Tax	Employer and Employee
State Unemployment Tax (SUTA)	Employer and Employee
Federal Unemployment Tax (FUTA)	Employer
Workforce Development/Supplemental Workforce Funds (WF/SWF)	Employer
Workers' Compensation Insurance**	Employer**

What is the billable rate and how is it calculated?

The billable rate is the dollar amount charged to/deducted from the individual's annual DDD budget for every 15-minute unit of service a self-directed employee (SDE) is authorized to deliver in an approved plan. Because both the employer burden and the employee hourly wage are charged to/deducted from the individual's annual DDD budget, the billable rate is calculated as follows: **(Employer Burden + Employee Hourly Wage) ÷ 4 = Billable Rate (15-minute-unit rate)**

Are there tax exemptions an Employee and/or Employer could be eligible for?

- **Difficulty of Care (employee)** – When an individual is enrolled in a home and community based services (HCBS) Medicaid waiver program, receives in-home services authorized in a service plan, *and lives in the home of the self-directed employee (SDE) providing those services*, that SDE may be eligible for Difficulty of Care (DOC) payments under federal income tax rules. This means some or all of the SDE's wages may not be subject to federal and (in NJ) state income tax. (For DOC payments, the individual can be related or unrelated to the SDE.)
- **Relationship-Based (employee and/or employer)** – see Table 2 below for tax exemptions that an employer and/or employee may be eligible for *based on the employee's relationship to the Employer of Record (person holding the federal Employer Identification Number)*, regardless of living arrangements.

Table 2: Relationship-Based Tax Exemptions an Employer or Employee May be Eligible For

Employee's Relationship to Employer of Record (holds the EIN)	Possible EMPLOYEE Tax Exemptions (<i>will not affect billable rate</i>)	Possible EMPLOYER Tax Exemptions (<i>will affect billable rate</i>)
Spouse	FICA, FUTA, SUTA	FICA, FUTA, SUTA
Parent	FICA, FUTA, SUTA	None
Partner in a civil union or common-law marriage	FICA, FUTA, SUTA	None
Child (age 18-21) of employer of record	None	FICA, FUTA

****** The cost of workers' compensation insurance to cover an individual's SDEs is normally part of the employer burden and therefore included when the billable rate is calculated. However, at this time and for the foreseeable future, DDD will assume the cost of workers' compensation for employers in the VF/EA Self-Directed Services Model.