



1099 Taxable Income Calculations

Palmetto GBA issues 1099 forms in accordance with IRS regulations Subchapter A Section 1.6041-1. These regulations require that reported amounts total the gross amount paid to a provider and not the net. Therefore, if providers have experienced any adjustments to their check amount(s), the two would not be the same. To reconcile those amounts, previous remittance advices should be referenced for the detail related to those offsets, and that offset activity or any other refunds made to Palmetto GBA for overpayments may need to be reported as an adjustment to income on returns thereby ensuring taxable income is not overstated.

Please note that due to RAP payments, this variance in the gross and net payment amount(s) has a large impact to Home Health provider community. To assist in that analysis, we are happy to provide a detailed report upon request that outlines all 1099 income by payment number. This report further breaks up the various payments into the payment categories that can then be tied back to the remittance advice amounts and the 1099-MISC Form. A sample report is included below:

Provider Name
Provider Address

TIN Number: xxxxx1234

Provider Number-Provider NPI

Pymt Date	HIGLAS Number	Shared Sys Number	P Total	V Total	GD Total	VGD Total
27-Jun-xx	123456789	987654321	\$0.00	\$0.00	\$1,396.69	\$0.00
18-Jul-xx	123456789	987654321	\$879.88	\$0.00	\$0.00	\$0.00
15-Nov-xx	123456789	0	\$0.00	(\$6,919.50)	\$0.00	\$0.00
15-Nov-xx	123456789	0	\$6,919.50	\$0.00	\$0.00	\$0.00
15-Nov-xx	123456789	0	\$0.00	\$0.00	\$1,968.42	\$0.00
15-Nov-xx	123456789	0	\$0.00	\$0.00	\$0.00	(\$1,968.42)
Total			\$7,799.38	(\$6,919.50)	\$3,365.11	(\$1,968.42)

Letter	Detail Explanation		
P	Payments	Payment Total	\$7,799.38
V	Voids	Void Total	(\$6,919.50)
GD	Gross up Debit Memo	Gross Debit Total	\$3,365.11
GDV	Gross up Debit Memo Voids	Gross Debit Void Total	(\$1,968.42)
RAP	Request for Anticipated Payment	Grand Total	<u><u>\$2,276.57</u></u>

Requests for detailed report(s) can be made via email to Tax.Admin@palmettogba.com and must include the tax year, provider name, provider number, NPI number, address, and contact name.

Along with the sample detailed report, we have included some frequently asked scenarios to illustrate how various RAP situations flows through as income to the 1099. Those are listed below:

Scenario 1: Provider's Final Payment is less than the RAP

Example 1

A provider submitted a RAP. The request was approved and the provider was issued a payment on 9/25/xx for \$1,229.46.

- The RAP payment for the amount of \$1,229.46 will be reported as 1099 taxable income (P) as of 9/25/xx
- A remittance notice dated 10/1/xx included multiple patient claims, in addition to a cancelled RAP in the amount of \$1,229.46. Also included on this remittance notice, is the cancelled RAP's final payment in the amount of \$356.31.
- The RAP cancel net reimbursement of (\$1,229.46) reduced the payment to the provider and is not included as taxable income
- The difference of the RAP cancel of (\$1,229.46) (P) and the RAP final payment of \$356.31 (P) results in money owed to Palmetto GBA in the amount of \$873.15 gross debit (GD)
- The 1099 Form will reflect gross taxable income of \$1,229.46; which includes the (P) \$356.31 and (GD) \$873.15. The provider will need to adjust their income on their tax return from \$1,229.46 RAP payment to \$356.31 final payment.

Example 2

A provider submitted a RAP. The request was approved and the provider was issued payment in the amount of \$1,200.

- The RAP payment of \$1,200 is included in the net provider payment amount and is reported as 1099 taxable income (P). As a result, this RAP payment of \$1,200 would show up as payment (P) on the detail report.
- The final claim for this RAP paid \$1,000 (which is lower than RAP payment). As a reminder, once the RAP has paid, providers have 60 days to submit the final claim.
- The difference between the RAP cancellation of (\$1,200) and the final claim payment of \$1,000 results in money owed to Medicare in the amount of (\$200)
- The amount owed to Medicare, \$200, is recorded as taxable income on the 1099 and as gross debit (GD) on the detail report.

Scenario 2: Provider's Final Payment is more than the RAP

Example 1

A RAP was submitted and approved. The provider was issued a payment on 10/20/xx for \$1,018.16.

- The RAP payment of \$1,018.16 is included in the net provider payment amount and is reported as taxable income on the 1099.
- A remittance notice dated 11/5/xx includes multiple patient claims, in addition to a cancelled RAP in the amount of (\$1,018.16). Also included on this remittance notice, is the cancelled RAP's final claim payment in the amount of \$2036.31.
- The RAP cancel net reimbursement of (\$1,018.16) reduces the payment to the provider and is not included as taxable income.
- The difference between the amount of the cancelled RAP (\$1,018.16) and the RAP final payment of \$2,036.31, results in money owed to the provider in the amount of \$1,018.15. The \$1,018.15 is included in the provider's check and recorded as taxable income.
- The 1099 Form will reflect gross taxable income of \$2,036.31; which includes the (P) \$1,018.16 and (P) \$1,018.15.

Example 2

A RAP was submitted and approved. The provider was issued a payment in the amount of \$1200.

- The RAP payment of \$1,200 is included in the net provider payment amount and is reported as 1099 taxable income. This RAP payment of \$1,200 would show up as payment (P) on the detail report.
- The final claim payment for this RAP paid \$1,500 (which is higher than RAP payment)
- The difference between the RAP cancellation of (\$1,200) and the final claim payment of \$1,500 results in money owed to provider in the amount of \$300
- The amount owed to provider is recorded as taxable income as payment (P) on the detail report. The RAP cancellation of (1,200) would show up as gross debit (GD) on the detail report. The Provider must confirm that negative of (\$1,200) was collected my Medicare and report as an expense in the income taxes.

Scenario 3: Provider did not submit final claim within 60 days after payment of the RAP. As a result, the RAP an auto cancelled.

Example 1

A RAP was submitted and approved. The provider was issued a payment in the amount of \$2,185.95 on 9/18/xx. The RAP payment of \$2,185.95 is included in the net provider payment and reported as 1099 taxable income.

- A remittance notice dated 12/1/xx includes multiple patient claims, and an automatic RAP cancellation in the amount of \$2,185.95. The RAP cancellation in the amount of (\$2,185.95) reduces the payment to the provider and is not included as taxable income.

Note: There was no final claim payment because the provider in this case failed to submit their final claim within 60 days after the RAP paid, and the amount owed to Palmetto GBA is recorded as taxable income on the 1099 as a Gross Debit Memo (GD). The provider will need to reduce their income from \$2,185.95 for the cancellation of the RAP payment. The provider will need to adjust their income on the tax return from \$2,185.95 for the cancellation of the RAP payment.

Example 2

A RAP was submitted and approved. The Provider was issued a payment in the amount of \$1200. The RAP payment of \$1200 is included in the net provider payment and reported as 1099 taxable income. This RAP payment of \$1,200 would show up as payment (P) on the detail report.

- The final claim was not submitted within 60 after payment of the RAP which resulted in the auto cancel of the RAP; resulting in a negative amount on the RA
- This negative RAP of \$1,200 would show up as gross debit (GD) on the detail report. Provider must confirm that the negative RAP of \$1,200 was collected by Medicare and report as an expense on income taxes.