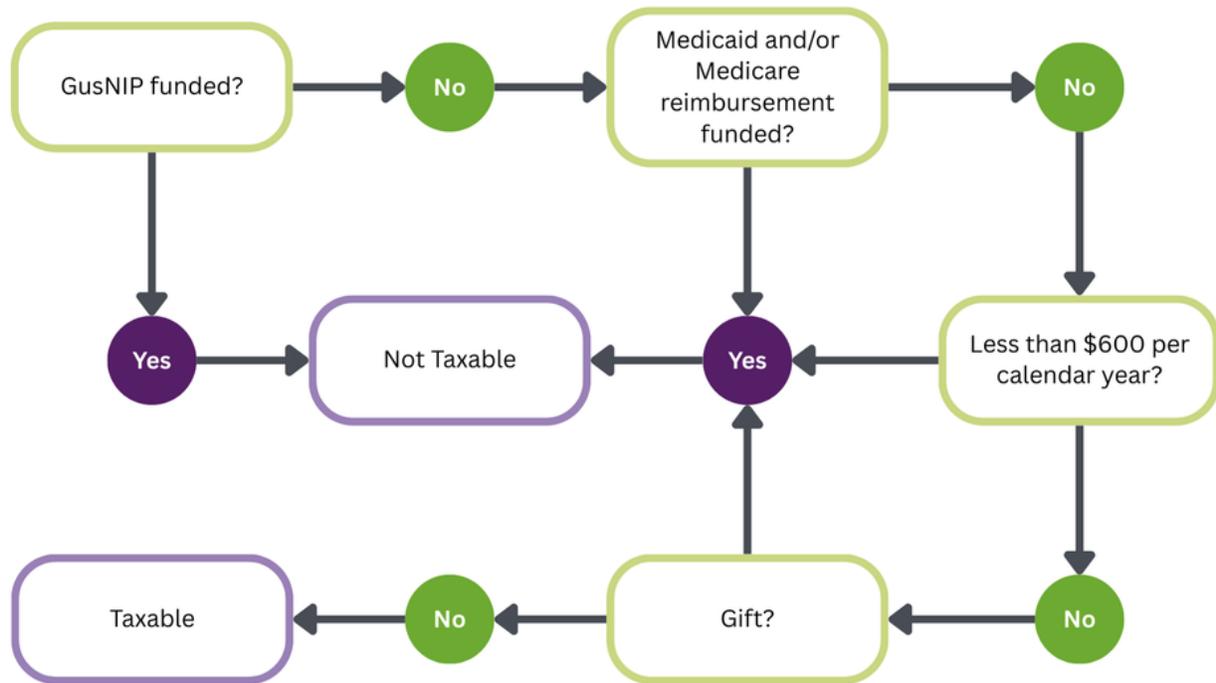


Income Tax Implication for Produce Prescription Programs

This resource provides information and technical assistance on issues related to health reform, public health, and food law. It does not provide legal representation or advice. This document should not be considered legal advice. For specific legal questions, consult an attorney.

Overview

Produce prescription program (PPR) implementers have raised questions about whether incentives distributed through financial mechanisms—such as vouchers, coupons, or restricted spend cards—are considered taxable income for participants. The following information can help PPR implementers determine whether benefits distributed by their program may be considered taxable income.



Determining if your PPR is considered taxable income

PPR Funding Source	Value of PPR is less than \$600 per calendar year	Value of PPR is \$600 or more per calendar year
GusNIP	<p>Not taxable income</p> <p>The value of benefits funded by GusNIP are treated the same as SNAP for taxation purposes and are not treated as taxable income.</p>	
Medicaid and/or Medicare reimbursement¹	<p>Not taxable income</p> <p>The value of benefits funded by Medicaid, Medicare, or dual-funded Medicare- Medicaid reimbursement are excluded from taxable income under the IRS “general welfare exclusion” or as Medicare supplemental benefits and are not treated as taxable income.</p>	
Other (not Medicaid or Medicare reimbursement)	<p>Not taxable income</p> <p>Below IRS reporting threshold</p>	<p>May be taxable income</p> <p>If given as a gift to help a participant in need, the value of benefits is not treated as taxable income, even if the amount exceeds \$600 in a calendar year.</p> <p>If provided as part of an exchange (e.g., as compensation for services rendered or in exchange for research participation), the fair market value of the financial mechanism exchanged (i.e., the amount of the voucher or debit card) at the time of payment is treated as taxable income.</p>

[1] Medicare / Dual reimbursement refers to situations in which the PPR is a covered service in the program for that individual. It does not include grants or other types of funding from a Medicaid or Medicare stakeholder.

Determining if a benefit is provided as a gift or an exchange

PPR benefits that are NOT funded via GusNIP or Medicaid/Medicare/dual Medicaid/Medicare reimbursement may be subject to taxation (1) if they exceed \$600 or more in a calendar year and (2) whether they are considered a gift or an exchange. A number of factors influence whether funds can be considered a gift or an exchange.

Examples where the benefit may be considered an exchange

- Incentives distributed through financial mechanisms—such as vouchers, coupons, or restricted-spend cards—as part of a PPR where a participant is required to do something in order to receive the benefit is considered an exchange, and would therefore be taxable income that must be reported on a 1099 form if the total value of the benefit exceeds \$600 or more in a calendar year.

Example Scenarios

- An organization employs an individual, and they receive a wage for hours worked.
- A participant in a research study receives a stipend for completing a survey or participating in a focus group.

Examples where it is less clear whether funds are a gift or an exchange

Many factors go into the determination of whether non-GusNIP or Medicaid/Medicare/dual-Medicaid/Medicare-funded PPR incentives are gifts or exchanges. This determination should be made on a case-by-case basis by someone with the necessary knowledge of both the program and the issue, such as a compliance officer and an organization's legal team. If you have any questions, please reach out to your PPR advisor.

1. Research: Produce prescriptions are sometimes distributed as part of a research study (e.g., a study is testing the effects of providing PPR on a health outcome).

- **Considerations:** The value of PPR incentives distributed through financial mechanisms—such as vouchers, coupons, or restricted-spend cards—as part of a PPR in a research study can still be treated as nontaxable, but with additional considerations. Ensure that any research study designs and resulting Institutional Review Board (IRB) approval clearly outlines the separation between funds distributed as a PPR incentive and stipends distributed in exchange for participating in research activities, such as focus groups, interviews, or surveys (which is taxable income). Consent language should clearly state that participants are not required to participate in any research activities in order to receive the PPR incentive.

2. **Nutrition Education:** Many PPR programs are designed to pair incentives with nutrition education, which may be strongly encouraged or mandatory, depending on the individual program.

- **Considerations:** Whether requiring participation in nutrition education in order to receive a PPR incentive qualifies as an “exchange” scenario has not been legally tested. Therefore, it is unclear whether the value of PPR incentives distributed through financial mechanisms—such as vouchers, coupons, or restricted-spend cards—as part of a PPR in this scenario is taxable income. However, ensuring that program design is explicit that the participant will receive the PPR incentive regardless of their participation in nutrition education may make it more likely that the incentive is considered a gift rather than an exchange, and thus not taxable income.

