

BEFORE THE  
OFFICE OF ADMINISTRATIVE HEARINGS  
STATE OF CALIFORNIA

In the Matter of:

J.F,

OAH No. 2014040191

Claimant,

vs.

VALLEY MOUNTAIN REGIONAL CENTER,

Service Agency.

DECISION

Pursuant to a Mediation Agreement between the parties dated May 1, 2014, this matter was submitted to Ann Elizabeth Sarli, Administrative Law Judge, Office of Administrative (OAH) for decision, based upon documents submitted to OAH<sup>1</sup> and information provided by the parties at mediation and at an August 22, 2014 telephonic conference.

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<sup>1</sup> The following documents are in evidence:

Exhibit 1 - Mediation Agreement

Exhibit 2 - 2013 1099-Misc.

Exhibit 3- Letter from M.F.

Exhibit 4 - June 25, 2014 letter from Anthony Hill VMRC to IRS Commissioner John Koskinen.

Anthony Hill, Assistant Director of Case Management, represented Valley Mountain Regional Center (VMRC).

M.F. and C.F., Claimant's parents, represented Claimant.

## FACTUAL FINDINGS

1. VMRC is responsible for paying Claimant's medical insurance premiums pursuant to Claimant's IPP. VMRC issues checks for the premium payments to Claimant's payee, M.F. M.F. then pays Claimant's insurance premiums. In order to authorize payments to M.F., VMRC designated M.F. as a vendor.

2. In early 2013, VMRC issued a "2013 1099 Miscellaneous Income Statement" (1099) to M.F. and filed a copy with the Internal Revenue Service and the California Franchise Tax Board (FTB). The 1099 was issued in M.F.'s name with Claimant's social security number. The 1099 documented that VMRC had paid M.F. \$749.10 in 2013.

3. Claimant filed a Fair Hearing Request asking that VMRC retract the 1099, because the \$749.10 VMRC paid to Claimant's payee does not constitute income earned or received by Claimant or M.F., but is simply VMRC's method of paying Claimant's insurance premiums. VMRC agrees that the method of paying Claimant or her payee is a "pass-through" technique because VMRC does not "vendorize" each client's insurance company to pay the insurance company directly. However, VMRC is concerned that retraction of the 1099 will "negate VMRC's compliance with IRS Code section 1.6041-1."

4. VMRC sought leave to file a request with the IRS to clarify whether it is obligated to file 1099's in these circumstances. Leave was granted and Mr. Hill wrote to the IRS on June 25, 2014, requesting guidance on the issuance of 1099's for "purchase reimbursement." In early August, 2014, IRS attorneys advised Mr. Hill verbally that they would be issuing a letter clarifying that 1099's should not be issued for reimbursement for insurance premiums.

## LEGAL CONCLUSIONS

1. The 1099 issued to M.F. was in error in that it was issued in M.F.'s name and with Claimant's Social Security number. On this basis, VMRC should advise the IRS and FTB that the 1099 is retracted.

2. The 1099 issued to M.F. was in error in that M.F. did not receive \$749.10 in 2013 from VMRC for goods or services she provided. On this basis, VMRC should advise the IRS and FTB that the 1099 is retracted.

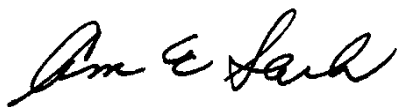
## ORDER

VMRC shall advise the Internal Revenue Service and the California Franchise Tax Board that the 2013 1099 Miscellaneous Income Statement VMRC issued to M.F.'s name with Claimant's social security number is retracted.

## NOTICE

This is the final administrative Decision. Both parties are bound by this Decision; however, either party may appeal this Decision to a court of competent jurisdiction within 90 days.

DATED: August 22, 2014



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ANN ELIZABETH SARLI

Administrative Law Judge

Office of Administrative Hearings