

Special Notice

Intended audience: accountable communities of health, hospitals, managed care organizations, CPAs.

July 17, 2023

Medicaid incentive payments business and occupation (B&O) tax deductions extended to Medicaid transformation funding

Beginning July 23, 2023, a B&O tax deduction is available to qualifying hospitals and accountable communities of health for Medicaid transformation project funding from the Health Care Authority. Previously, the deduction was limited to delivery system reform incentive payments (DSRIP). Beginning July 23, 2023, the deduction is available for both funding sources.

Both are claimed under the “Delivery System Reform Incentive Payments” deduction on the excise tax return.

Definitions

Accountable communities of health means a regional nonprofit designated by the Health Care Authority to work together with the health care delivery system, health plans, public health, social services, community-based organizations, the justice system, schools, tribal partners, and local government leaders to improve the health equity of their communities as part of Sec. 1115 Medicaid demonstration project number 11-W-00304/0.

More information

For more information, see our Tax Topics article titled “[Medicaid Incentive Payments.](#)”

[House Bill \(HB\) 1812 Chapter 313, Laws of 2023](#)