



HEALTH PROFESSIONS  
EDUCATION FOUNDATION  
*Giving Golden Opportunities*

February 9, 2018 (Updated April 5, 2018)

Dear Health Professions Education Foundation Awardee,

We have recently received inquiries from Health Professions Education Foundation (HPEF) awardees regarding receiving IRS Form 1099-MISC notices (1099) on their awards for the first time. These 1099 notices are from the State of California/FI\$CAL showing the amount of the award received in 2017 as "nonemployee compensation". FI\$CAL is the new statewide accounting system that the Office of Statewide Health Planning and Development (OSHPD) and its HPEF division adopted last year, and 2017 is the first tax year that most HPEF awardees have received 1099 notices for their awards. Many awardees have expressed concern that these 1099 notices have caused their awards to be subject to taxation.

FI\$CAL issuing a 1099 does not cause your award to become taxable. It does not change the taxability of your award. The 1099 is simply a report to the Internal Revenue Service and Franchise Tax Board that you received a payment. In this case, you received payment from the State as a participant in a State loan repayment program, or scholarship program, in exchange for providing, or agreeing to provide ("scholarship" awardees), health care services in underserved or health professional shortage areas. Please review your OSHPD/HPEF contract for specific details.

OSHPD/HPEF does not withhold any taxes from the award payments, and does not make any determination as to whether your award may be taxable. The taxability of any award in any given year may vary based on personal circumstances of the awardee and constantly changing federal and state laws. Because of this variability, and because we are not tax experts, OSHPD/HPEF and its employees do not provide tax advice.

You are encouraged to consult a tax professional familiar with your finances to determine how the award may affect your tax obligations. In making such a determination, you and/or your tax professional may consider various state and federal laws. As of January 1, 2018, the federal statute at 26 USC 108(f)(4), provided, in part, that "In the case of an individual, gross income shall not include any amount received under...or under any other State loan repayment or loan forgiveness program that is intended to provide for the increased availability of health care services in underserved or health professional shortage areas (as determined by such State)."

Please be advised that those loan repayment program awardees that received a 1099 from FI\$CAL on awards paid out in 2017 may receive a corrected 1099. If this applies to you, and you have already filed your personal income tax return for the year 2017, you are encouraged to consult your tax professional, as it may be necessary for you to file an amended personal income tax return.

Please contact us at 916-326-3640 if you have any questions or need additional assistance.  
Thank you for your participation in HPEF's programs.

Sincerely,

Health Professions Education Foundation Staff