See link: IRS Notice 2014-7, Difficulty of Care Payments Excludable from Income | DSHS (wa.gov)

"…The IRS treats certain payments for personal care services as "Difficulty of Care payments", which are excluded from being subject to federal income taxes[1 2 3]. **The exclusion covers income earned through the provision of personal care services, when the Medicaid client and provider live in the same household[1].** If you provide care to an individual who has a physical, mental, or emotional handicap, the difficulty of care payments you receive are generally excluded from income[3]…."

"…It is your responsibility to determine if this income exclusion applies to you. You are also responsible for identifying which payments are for personal care services or relief care and excluding only those amounts from your gross wages on your tax returns. The Description section of your end of year Earnings Statement -- the last payday issued in the calendar year) – lists the amount paid for specific services, including personal care services and relief care. If you need assistance or have questions about your eligibility or how to file your year-end tax return, please contact a tax professional or the IRS.

The exclusion applies to all open tax years where the criteria for this exclusion are met. Please ask your tax advisor or the IRS which tax years are open and how to claim this exclusion or amend a prior return…."

Please note this only applies to federal taxes, you may still be responsible for state and local taxes.