I-1550 MAGI DETERMINATIONS

I-1551 MODIFIED ADJUSTED GROSS INCOME (MAGI)

Effective January 1, 2014, the Modified Adjusted Gross Income (MAGI) methodology is used to determine financial eligibility for:

- Medicaid,
- Children's Health Insurance Programs (CHIP),
- Cost sharing reductions, and
- Advanced premium tax credits (APTC) through the Federally Facilitated Marketplace (FFM).

This change was made in accordance with Section 1004(a)(2) of the Patient Protection and Affordable Care Act of 2010, and codified at Section 36B(d)(2)(B) of the Internal Revenue Code.

MAGI is a methodology, based on federal tax rules, for determining income and household composition. It is not a number on a tax return, but it is based on federal rules for determining adjusted gross income.

MAGI-based rules are used to determine eligibility for the following groups of applicants/enrollees:

- Adults age 19-64;
- Parents and Caretaker Relatives (PCR);
- Pregnant Women (PW);
- Child-related groups; and
- Other adult-related groups:
  - Breast and Cervical Cancer (BCC);
  - Refugee Medical Assistance (RMA);
  - Regular and Spend-Down Medically Needy;
  - Take Charge Plus (TCP); and
  - Tuberculosis (TB).

  Note:
  The MAGI methodology is not used to determine financial eligibility for the Medicare Savings Program (MSP) or non-MAGI-related program groups (i.e. the aged, blind, or disabled categories).

I-1552 MAGI HOUSEHOLD

Construct a MAGI household for each individual for whom coverage is being requested. An individual's household may or may not include everyone listed on the application/renewal form.

The MAGI household depends upon whether an individual is:

- A tax filer;
- Married living with a spouse;
- A tax dependent; or
- A non-filer (neither a tax filer nor a tax dependent).

MAGI HOUSEHOLD—TAX FILER RULES

Tax filer rules are applied when the individual expects to:

- File taxes; or
- Be claimed as a tax dependent.

Note:
Spouses who are separated and not living together are not included in each other's MAGI households, even when expected to file jointly.

MAGI HOUSEHOLD FOR TAX FILERS

For the tax filer, the MAGI household consists of the following:

- The tax filer
- The spouse of the tax filer; and
- All claimed tax dependents. Including tax dependents not living with the tax filer. See Example E.

When determining the MAGI household for a pregnant woman, include the child(ren) she is expected to deliver.

Example:

Sally is pregnant and applies for Medicaid coverage for herself, her unborn, and her two child-tax dependents, Amy and Arnold:

- Sally's MAGI household is composed of Sally, the unborn, Amy, and Arnold.

- Amy's MAGI household is composed of Amy, Arnold, and Sally.
- Arnold's MAGI household is composed of Arnold, Amy, and Sally.

Note:

When determining Medicaid eligibility for pregnant women under age 19, all income is disregarded.

MAGI HOUSEHOLD FOR TAX DEPENDENTS

For the tax dependent, who does not meet a tax dependent exception, the MAGI household is the same as the household of the tax filer claiming the individual, including:

- The tax dependent;
- The tax dependent's legal spouse, if living together, whether claimed by the tax filer or not;
- The tax filer;
- The spouse of the tax filer; and
- All other tax dependents claimed by the tax filer.

If an adult is a tax dependent, include the individual in the MAGI household regardless of whether they reside in household.

A child who expects to file taxes but is claimed as a tax dependent by a parent is considered a tax dependent when constructing the child's MAGI household.

MAGI HOUSEHOLD FOR JOINT CUSTODY

Using information available on the application, it is reasonable to treat the parent applying for health coverage for the child as the custodial parent, when there is no other information to indicate that the parent is non-custodial.

In cases where there is a discrepancy (both parents are applying separately for health coverage for the same child in the same year), the custodial parent is the parent with whom the child spends most nights.

In joint custody situations where both parents have applied for the child and the child spends equal time with both parents, the custodial parent is the parent who claims the child as a tax dependent.

MAGI HOUSEHOLD—NON-FILER RULES

Non-filer rules are applied when the individual:

- Does not expect to file taxes;
- Does not expect to be claimed as a tax dependent; or
- Meets a tax dependent exception:
  1. Being claimed as a tax dependent by a tax filer other than a parent or spouse. See Examples B and C.
  2. Children under age 19, who expect to be claimed by one parent as a tax dependent and are living with both parents but whose parents do not expect to file a joint tax return; See Example D.
  3. Children under age 19 claimed as a tax dependent by a non-custodial parent. See Example E.

MAGI HOUSEHOLD FOR NON-FILER - ADULTS

The MAGI household for an adult non-filer consists of:

- The individual;
- The individual's spouse (if living in the home);
- The individual's children (natural, adopted, or step-children) under age 19 who live in the home.

See Examples A and F.

MAGI HOUSEHOLD FOR NON FILER RULES - MINORS (UNDER AGE 19)

The MAGI household for a minor non-filer consists of:

- The individual's parents (natural, adoptive, or step-parents) who live in the home;

- The individual's siblings under age 19 (natural, adopted, and step-siblings) who live in the home;
- The individual's legal spouse who lives in the home; and
- The individual's children under age 19 (natural, adopted, and step-children) who live in the home.

See Examples A and F.

Example A:

Mimi lives with her child, Mikey, and her boyfriend, Dan, who is the father of Mikey. Dan works and claims Mimi and Mikey on his tax return. Mikey already receives Medicaid. Mimi is the only person applying for coverage since Dan is not requesting coverage for himself.

Mimi meets the MAGI household exception of being claimed as a tax dependent by a tax filer other than a parent or spouse since she will be claimed by Dan (someone other than a married spouse) on his tax return.

The MAGI household for Mimi is determined by using non-filer rules, and consists of herself and Mikey.

Example B:

Mary is the tax filer and the grandparent of Joey, age 11, who she claims as a tax dependent.

Since Mary is a tax filer, Mary's MAGI household consists of herself and her grandson, Joey.

Joey is a tax dependent and meets an exception because he is being claimed as a tax dependent by a tax filer other than a parent or spouse. His MAGI household is determined using non-filer rules, and consists of himself only.

Example C:

Rebecca and John are in a non-legal union. Rebecca has a 12-year-old child from a previous union, Samantha. John claims Rebecca and Samantha as tax dependents.

Although Samantha is a tax dependent for John, she meets an exception because she is being claimed as a tax dependent by a tax filer other than a parent or spouse. John is not her natural, adoptive, or legal parent; therefore, her MAGI household is determined using non-filer rules, and consists of herself and her mother Rebecca.

Example D:

Bob is married to Jane. They live together and file separately. Bob has one child from a previous union, Alice, who is 20 years old, that he claims on his taxes. He and Jane have two (2) children together: Stephanie and Lynne. Jane claims herself and their two (2) children on her taxes. Each individual is applying for coverage.

Since Bob is a tax filer, Bob's MAGI household consists of himself, Alice, and his wife, Jane.

Since Jane is also a tax filer, Jane's MAGI household consists of herself, her husband, Bob, and their two (2) children together.

Bob and Jane's two (2) children in common meet an exception because they are children living with two parents who do not expect to file a joint tax return. They are claimed as tax dependents by their mother, Jane, but reside with both of their parents.

The MAGI household of Stephanie or Lynne is determined using non-filer rules. In this case, each of their MAGI households consist of Stephanie, Lynne, Bob and Jane.

> **Note:**
>
> Although Alice is a tax dependent of Bob and a half sibling of the other children, according to non-filer rules she is not part of this MAGI household because she is not under age 19.

The MAGI household for Alice consists of Alice, her father Bob, and Bob's legal spouse, Jane (same household as Bob).

Example E:

Susan and John are divorced and living apart. Their children, Harry and Jordan, live with their custodial parent, Susan. John pays child support throughout the year and claims Harry and Jordan on his taxes as dependents.

Although Harry and Jordan are claimed as tax dependents by their father, an exception is met since they live with their mother, Susan, who is the custodial parent.

The MAGI household of Harry or Jordan is determined using non-filer rules. In this case, each child has the same household of Harry, Jordan, and Susan.

The MAGI household of John is determined by tax filer rules. In this case, John claims Harry and Jordan as his tax dependents therefore his MAGI household would include John, Harry and Jordan.

Example F:

David and Terri are not married and do not file or expect to file taxes. They live together with their three (3) children: Edmond, age 12; Trent, age 9; Joseph, age 6; and David's daughter Wendy, age 17, from a previous union.

The MAGI household for David is David and his four (4) children Wendy, Edmond, Trent, and Joseph.

The MAGI household for Terri is Terri and her three (3) children, Edmond, Trent, and Joseph.

The MAGI household for Wendy is Wendy, her father David, and her half siblings, Edmond, Trent, and Joseph.

The MAGI household for Edmond, Trent, and Joseph is Edmond, Trent, Joseph, their half sibling Wendy, and both of their natural parents, David and Terri.

Note:

If David and Terri were married, this would bring the whole family together such that the MAGI household would then be David, Terri, Wendy, Edmond, Trent, and Joseph.

I-1553 MAGI-RELATED TYPES OF INCOME

1. Consider the following types of taxable income in MAGI budgeting:

   - **ALIMONY**
     Count as unearned income, only those payments ordered by a judgment dated prior to January 1, 2019 made directly to the household from non-household members. Do not count payments ordered by a judgement dated on or after January 1, 2019.

   - **ALIEN SPONSOR'S INCOME**
     Count as unearned income.

   - **ANNUITY INCOME**
     Count as unearned income any taxable portion of annuity income.

   - **BUSINESS INCOME (OR LOSS)**
     Count net profit or loss from partnerships, corporations, etc. as earned income.

   - **CAPITAL GAIN (OR LOSS)**
     Allow for a capital gain or loss when budgeting.

   - **CONTRACTUAL INCOME**
     Count as earned income. Annual income received under an implied, verbal, or written contract in less than twelve (12) months shall be averaged over the twelve (12) month period it is intended to cover unless the income is received on an hourly or piecework basis.

     Example:
     Income received by teachers, teacher's aides, and school bus drivers.

   - **DISABILITY INSURANCE BENEFITS**
     Count as unearned income.

Exception:
Count as earned income if federal and/or state taxes are being deducted.

- **DIVIDENDS**
  Count as unearned income. Income from dividends should be averaged over the period they are intended to cover.

- **INTEREST**
  Count as unearned income (this includes tax-exempt interest). Average interest income for the period it is intended to cover. Sources could include financial accounts, US treasury bills, bonds, state or municipal bonds or mutual funds.

- **IRREGULAR AND UNPREDICTABLE INCOME**
  Count as earned income in the month of receipt.

- **JOB TRAINING PARTNERSHIP ACT OF 1982 (JTPA)**
  Income received from employment through the JTPA program is counted as earned income.

  Note:
  Income received for training through the JTPA program is counted as unearned income.

- **LUMP SUM PAYMENTS**
  Count as unearned income a non-recurring cash payment only in the calendar month of receipt. Do not count if payment is not taxable.

  Note:
  This includes insurance settlements, back pay, state tax refunds, inheritance, IRA or other retirement distributions, and retroactive benefit payments.

  Count as unearned income qualified lottery winnings or qualified lump sum income received on or after January 1, 2018.

  Qualified lottery winnings are defined as winnings from a sweepstakes, lottery, or pool operated by a multistate or multijurisdictional lottery association, including amounts awarded as a lump sum payment.

Qualified lump sum income is defined as income that is received as a lump sum from monetary winnings from gambling.

Based on the amount of the income received, it is counted according to the following criteria:

- If less than $80,000, count in the month in which it is received.
- If greater than or equal to $80,000 but less than $90,000, count in equal installments in the month in which it is received, and in the following month.
- If greater than or equal to $90,000 but less than $100,000, count in equal installments in the month in which it is received, and in the following two (2) months.

If greater than or equal to $100,000, count in equal installments in the month in which it is received, and in the following two (2) months. Add an additional month for each increment of $10,000, not to exceed 120 months for amounts of $1,260,000 or more,

Note:
The requirement to count qualified lottery and gambling winnings in household income over multiple months applies only to the individual who receives the winnings. After the month of receipt, do not count these winnings as income for the other household members.

Example:
In May, Steve wins $85,000 while gambling at the casino.

Steve's MAGI household consists of Mike (tax filer), Cindy, his spouse (joint tax filer), and their tax dependents Mikey and Joey.

Based on the rules above, divide the total winnings over two months and count $42,500 as income for May for the entire household, and count $42,500 as income for June for Steve only.

Lottery/Gambling Winnings - Hardship Exception
An individual in receipt of lottery or gambling winnings in excess of the applicable income limits shall continue to be eligible if it is determined that the denial of eligibility of the individual would cause an undue medical or financial hardship.

Results Of Findings

If undue hardship is determined to exist and an exception granted, the lottery/gamblings winnings shall not be considered in the eligibility process.

If a request for an undue hardship exception is denied, the applicant is notified of the decision in writing. The applicant has the right to appeal the denial decision.

- **OIL AND LAND LEASES**
  Count as unearned income. Prorate regular recurring income from leases over the period it is intended to cover and count as unearned income.

  Payments received in the first year of an oil lease, which are above the regular recurring rental and payments received when an oil lease is written for a single year, are treated as non-recurring lump sum payments.

- **PENSIONS**
  Count as unearned income.

- **POTENTIAL INCOME**
  Count income that is potentially available when the applicant/enrollee has a legal interest in a liquidated sum and has the legal ability to make this sum available for the support and maintenance of the MAGI household.

  Count income that is available but the applicant/enrollee chooses not to receive it.

  Note:
  If the agency representative is unable to determine the amount of benefits available because of the applicant/enrollee’s inability or refusal to cooperate, reject

the case for failure to cooperate. Refer to G-1100 Cooperation.

- **RAILROAD RETIREMENT**
  Count the amount of the entitlement as unearned income.

  Note:
  Include the amounts deducted from the check for the Medicare premiums, less any amount being recouped for a prior overpayment.

- **RENTAL PROPERTY INCOME**
  Ownership of rental property is considered a self-employment enterprise. Count profit after allowable deductions. Income received from rental property may be earned or unearned. To be counted as earned income, the applicant/enrollee must perform some work-related activity. If the applicant/enrollee does not perform work-related activity, the money received is unearned income. Deduct only allowable expenses associated with producing the income. If the income is earned, also allow other earned income deductions. See also Self-Employment Income.

- **RETIREMENT**
  Count the gross amount of retirement benefits as unearned income, including military retirements.

  Note:
  The CARES Act of 2020 allows qualified individuals distribution options and rollover rules for up to $100,000 of coronavirus-related distributions from eligible retirement plans. Count this income monthly over the time period of the IRS-approved option chosen by the individual.

- **ROYALTIES**
  Count as unearned income. Prorate royalties for the period they are intended to cover.

- **SCHOLARSHIPS, AWARDS, OR FELLOWSHIP GRANTS**
  Count as unearned income if used for living expenses, such as room and board and not for education purposes.

Count as unearned income any academic scholarships, awards, or fellowship grants that are used for room and board, travel, research, clerical help or equipment and are not required for enrollment at the educational institution.

Count as unearned income the part of any scholarship or fellowship grant that represents payment for teaching, research or other services required as a condition for receiving the scholarship.

Exception:
Do not count income received under the National Health Service Corps Scholarship (NHSCS) program or the Armed Forces Health Professionals Scholarship and Financial Assistance Program (AFHPSFAP).

- **SEASONAL EARNINGS**
  Count as earned income in the month received.

  If contractual, prorate the earned income over the period it is intended to cover.

  Example:
  The earnings of a farm hand or a crab picker.

  If earnings are from seasonal self-employment, refer to Self-Employment Income.

- **SELF-EMPLOYMENT INCOME**
  This is income received from an applicant/enrollee's own business, trade, or profession if no federal, state withholding tax, or Social Security tax is deducted. This may include earnings as a result of participation in Delta Service Corps and farm income.

  Expenses
  Allow the same expenses as those allowed when filing taxes on an Internal Revenue Service (IRS) Schedule C, or Farm Income Schedule F.

  Note:
  Self-attestation of self-employment income is not allowed, unless the self-attested amount indicates obvious ineligibility.

If verification is needed, see the Self-Attestation of Self-Employment Income section under S-0000 Verification And Documentation for more details.

- **SOCIAL SECURITY RETIREMENT, SURVIVORS AND DISABILITY INSURANCE BENEFITS (RSDI)**

  Count the amount of the entitlement as unearned income, including the amount deducted from the check for the Medicare premium, less any amount that is being recouped for a prior overpayment.

  Note:
  Supplemental Security Income (SSI) is excluded. If an individual receives RSDI and SSI, count only the RSDI portion and none of the SSI income.

  Exclude Social Security benefits when a child or tax dependent does not meet the tax filing threshold. (See I-1554.4 Income of Children and Tax Dependents.)

- **TAXABLE REFUNDS**

  Count as unearned income taxable refunds, credits, or offsets of state and local income taxes if claimed on IRS Form 1040.

- **TRUST FUNDS**
  Count as unearned income withdrawals, dividends, or interest that are or could be received from a trust by the applicant/enrollee.

- **TUTORSHIP FUNDS**
  Count as unearned income any money released by the court to the applicant/enrollee.

- **UNEMPLOYMENT COMPENSATION BENEFITS (UCB)**
  Count payments as unearned income in the month of receipt.

- **WAGES, SALARIES, TIPS, AND COMMISSIONS**
  Count taxable gross wages, salaries, tips, and commissions, including paid sick and vacation leave, as earned income.

Include as earned income vendor payments made by the employer instead of all or part of the salary.

Include the cash value of an in-kind item received from an employer instead of all or part of the salary.

Include foreign earnings.

Exception:
Under CARES Act 2020 provisions, exclude from an employee's income payments for educational assistance that are provided by an employer.

- **WORK STUDY PROGRAM**
  Count payments as unearned income in the month of receipt.

2. Do not consider the following types of income for MAGI budgeting:

- **ADOPTION ASSISTANCE**
  Disregard amounts paid or expenses incurred by the employer.

- **AGENT ORANGE SETTLEMENT PAYMENTS**

- **ALIMONY**
  Do not count payments ordered by a judgement dated on or after January 1, 2019.

- **AMERICAN INDIAN AND NATIVE AMERICAN CLAIMS AND LANDS**

  This includes:

  - Distributions from Alaska Native Corporations and Settlement Trusts;
  - Distributions from any property held in trust, subject to Federal restrictions, located within the most recent boundaries of a prior Federal reservation, or otherwise under the supervision of the Secretary of the Interior;
  - Distributions and payments from rents, leases, rights of way, royalties, usage rights, or natural resource extraction and harvest from:

        - Rights of ownership or possession in any lands held in trust, subject to Federal restrictions, located within the most recent boundaries of a prior Federal reservation, or otherwise under the supervision of the Secretary of the Interior; or
        - Federally protected rights regarding off-reservation hunting, fishing, gathering, or usage of natural resources;
    - Distributions resulting from real property ownership interests related to natural resources and improvements:
        - Located on or near a reservation or within the most recent boundaries of a prior federal reservation; or
        - Resulting from the exercise of federally-protected rights relating to such real property ownership interests;
        - Payments resulting from ownership interests in or usage rights to items that have unique religious, spiritual, traditional, or cultural significance or rights that support subsistence or a traditional lifestyle according to applicable tribal law or custom;
        - Student financial assistance provided under the Bureau of Indian Affairs education programs.

- **CASH CONTRIBUTIONS**
- **CENSUS BUREAU EARNINGS**
- **CHILD SUPPORT PAYMENTS**
  Disregard payments received for anyone in the home.
- **CONTRIBUTIONS FROM TAX-EXEMPT ORGANIZATIONS**
- **DISASTER PAYMENTS**
- **DOMESTIC VOLUNTEER SERVICE ACT**
- **EARNED INCOME CREDITS**
- **EDUCATIONAL LOANS**

- **ENERGY ASSISTANCE**
- **FEDERAL INCOME TAX REFUNDS**
- **FEDERAL TAX CREDITS**
- **FOSTER CARE PAYMENTS**
- **HOUSING AND URBAN DEVELOPMENT (HUD) BLOCK GRANT FUNDS, PAYMENTS OR SUBSIDIES**
- **IN-KIND SUPPORT AND MAINTENANCE**
- **KINSHIP CARE SUBSIDY PROGRAM (KCSP)**
- **LOANS**
- **NUTRITIONAL PROGRAMS**
- **RADIATION EXPOSURE**
- **RELOCATION ASSISTANCE**
- **SCHOLARSHIPS, AWARDS, OR FELLOWSHIP GRANTS**

  Income used for education purposes and not for living expenses is excluded, provided that:

  - The student is a candidate for a degree at an eligible educational institution, as described in section 170(b)(1)(A)(ii) of the Internal Revenue Code; and
  - The amount is for qualified educational expenses required by the institution for courses of instruction.

    Note:
    Tuition and fees required for enrollment or attendance at the educational institution for books, supplies, and equipment, are considered countable income and are no longer exempted.

- **SUPPLEMENTAL SECURITY INCOME**

  Note:
  SSI income is excluded. If an individual receives RSDI and SSI, count only the RSDI portion and none of the SSI income.

- **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)**

- **VENDOR PAYMENTS**

- **VETERANS BENEFITS**

- **WOMEN, INFANTS AND CHILDREN (WIC) PROGRAM**

- **WORKERS COMPENSATION**

I-1554 MAGI INCOME BUDGETING

Self-Attestation of Income

Self-attested income is unverified income information provided by the applicant/enrollee. Accept the self-attested income amount when the reasonable compatibility standard is met.

- Attestation is above data sources:
  - If the individual's self-attested income is above the data sources, the self-attested income is used.
- Attestation is below data sources:
  - If the individual's self-attested income is below data sources, and the difference between the two is less than 10 percent, the information is considered reasonably compatible and self-attested income is used.
  - If the individual's self-attested income is below data sources, but the difference between the two is 10 percent or more, request a reasonable explanation from the individual.
    - If the reasonable explanation is accepted, the self-attested income is used. The case must be documented with a note that includes the details that weighed on the decision.

- Attestation cannot be confirmed through electronic data sources, such as in the cases of new employment:
  - o Use self-attested income.

- If a parent applying for their child refuses to provide their SSN so that we can confirm attestation through electronic data sources, we must request income verification from the parent.

  Note:

  Verify:
  - All self-employment income, unless the self-attested amount indicates obvious ineligibility.
  - Income of a non-applicant who refuses to provide their SSN, unless the non-applicant is not in the MAGI household of the applicant.

See S-0000 Verification and Documentation for more information.

I-1554.1 Income Budgeting

Use current monthly household income received based on the latest information available to the agency. Include all amounts that the applicant/enrollee will be expected to receive in the current month. Account for future decreases in monthly household income. (e.g., termination, interruption, change in number of hours worked, changes in hourly wage, changing from full-time to part-time, etc.).

Note:
A change for purposes of this section does not include normal fluctuations in the number of hours worked, amount paid or short term temporary changes such as covering for another employee who was ill.

To determine gross monthly income, use the following conversion factors:
- Divide yearly income by 12;
- Multiply weekly income by four (4);
- Add amounts received twice a month; or
- Multiply amounts received every other week by two (2).

I-1554.2 Actual Income Budgeting

Actual income budgeting involves looking at income received within a specific month to determine income eligibility for that month. Actual income should be used for all retroactive coverage.

I-1554.3 Rounding Procedures

Round only when calculating gross monthly income.

Round to the nearest dollar after the computation of the monthly earnings, using the conversion factor. Do not round until after the conversion in this situation.

Round down in each calculation that equals 49 cents or less. Round up in each calculation that equals 50 cents or more.

Example:

Weekly gross income:	$ 543.21
	x 4
	$2,172.~~84~~

Round to **$2,173**

I-1554.4 Income of Children and Tax Dependents

When the income meets the tax filing threshold that requires the filing of a tax return, count the income of:

- A child of any age who is included in the MAGI-based household of a natural, adopted or step-parent;
- A tax dependent of any age in the MAGI-based household of the tax filer;

Note:
Do not use Social Security benefits or other non-taxable income to determine if a child or tax dependent meets the tax filing threshold.

Exclude the income when the child's or tax dependent's income is below the tax filing threshold. Refer to Z-500 Filing Requirements for Children and Tax Dependents for more information about the tax filing threshold.

When determining the total household income of a child who is not living with a parent (i.e., a grandchild living with a grandparent), the child's MAGI-based income is always counted in determining the child's eligibility, even if the child's income is below the tax filing threshold.

When determining the total household income of a tax dependent who is claimed by someone other than a parent, the tax dependent's MAGI-based income is always counted in determining the tax dependent's own eligibility even if the income is below the tax filing threshold.

Example:

Marty expects to claim his adult son, Mark (age 22), who is a full-time student, as a tax dependent. Marty makes $1,500 a month. Mark makes $400 a month working as a waiter. Marty and Mark will be included in each other's MAGI-based households. Mark's income does not meet the tax filing threshold and is excluded from the total household income.

Example:

Mary expects to claim her father, Matthew (age 61), as a tax dependent. Mary earns $2,500 a month in wages. Matthew earns $450 a month from his part-time job. Mary's MAGI-based household will include herself and Matthew. Matthew's income does not meet the tax filing threshold and is excluded from the total household income.

Matthew's MAGI-based household will include only himself since he meets an exception to the tax dependent rules for being claimed as a tax dependent by someone other than his spouse or his parent. Matthew's income is included regardless of whether it meets the tax filing threshold.

I-1554.5 Allowable Tax Deductions for MAGI

The following deductions are allowed from an individual's taxable gross income to determine the individual's adjusted gross income:

- <u>Alimony payments ordered by a judgment dated prior to January 1, 2019.</u>
- Educator expenses;
- Certain business expenses of reservists, performing artists and fee basis government offices;
- Health savings account deduction;
- Moving expenses;
- The deductible part of self-employment tax;
- Self-employed and other qualified plans, including:
  - A Simplified Employee Pension (SEP); or
  - A Savings Incentive Match Plan for Employees (SIMPLE);
- Self-employed health insurance deductions;
- Penalties on early withdrawal of savings;
- IRA deductions;
- Student loan interest deductions;
- Domestic production activities deductions; or
- For individuals who elect not to itemize tax deductions, contributions of money or property (the amount not to exceed $300 for the taxable year) made to the following qualified charities:
  - Churches, synagogues, temples, mosques, and other religious organizations;
  - Federal, state, and local governments, if solely for public purposes (for example, a gift to reduce the public debt or maintain a public park);
  - Nonprofit schools and hospitals;
  - The Salvation Army, American Red Cross, CARE, Goodwill Industries, United Way, Boy Scouts of America, Girl Scouts of America, or Boys and Girls Clubs of America; or
  - War veterans' groups

A deduction is not allowed for money or property given to:

- o Civic leagues, social and sports clubs, labor unions, and chambers of Commerce;
- o Foreign organizations (except certain Canadian, Israeli, and Mexican charities);
- o Groups that are run for personal profit;
- o Groups whose purpose is to lobby for law changes;
- o Homeowners' associations;
- o Individuals; or
- o Political groups or candidates for public office.

Obtain verification of any and all applicable deductions.

Note:

Do not allow the following credits or deductions:

- The standard deduction.
- Itemized deductions detailed in IRS Form Schedule A (home mortgage interest, medical and dental expenses, gifts to charity).
- Child tax credits.
- <u>Child support payments.</u>

I-1555 MAGI - FINANCIAL ELIGIBILITY

I-1555.1 Resources

There is no asset or resource test for the MAGI groups.

I-1555.2 MAGI Budget Steps

To determine income eligibility:

1. Determine MAGI household composition for each individual requesting coverage.
   - o Include the number of children expected to be delivered in the income unit when determining eligibility for a pregnant woman.

Note:

When determining Medicaid eligibility for pregnant women under age 19, all income is disregarded.

2. Determine countable income for each MAGI household.
   - o Combine all countable MAGI-related types of income of each member of the household.
   - o Reduce income by MAGI-related taxable deductions for each member of the household.

   Note:

   For a tax filer, the income of a tax dependent is not counted when less than the tax filing threshold.

3. Allow the five (5) percent disregard on MAGI budgets.
4. Compare the combined net countable income for the individual's household to the applicable income standard for the household size. Refer to Z-200 Federal Poverty Income Guidelines.
   - o If the countable income is at or below the income standard for the applicable MAGI group, the individual is income eligible.
   - o If the countable income is above the income standard for the applicable MAGI group, the individual is income ineligible.

I-1556 GAP FILLING RULE - FINANCIAL ELIGIBILITY

Due to the difference in eligibility rules, an individual may be financially ineligible for both Medicaid, under the MAGI methodology, and the Advance Premium Tax Credit (APTC). To qualify for the APTC, the household's annual income must be at least 100% FPL but no more than 400% FPL.

Gap filling rule uses APTC household composition and income eligibility rules.

APTC Household Composition

The household consists of:

- The tax filer;
- The tax filer's spouse if filing jointly; and
- All other tax dependents.

Non-filer rules do not apply.

APTC Household Income

Household income consists of the gross income of every member who is required to file a federal income tax return. It does not include Supplemental Security Income (SSI).

Under the gap filling rule, use APTC eligibility rules to determine financial eligibility for Medicaid when:

- Current monthly income, using the MAGI methodology, is over the applicable income standard; and
- Projected annual household income for the calendar year (prior income as well as income expected to be received), is below 100% FPL.

The gap filling rule applies only to tax filing households.

In order to be determined eligible for Medicaid under the gap filling rule, an individual must meet all other eligibility requirements for a MAGI-related program.

Note:
For anyone who is ineligible because of income, review eligibility for Spend-Down Medically Needy-MAGI-Based. See H-1020 Regular and Spend Down Medically Needy—MAGI-Based.