



Income Eligibility Using Modified Adjusted Gross Income (MAGI) Rules



July 15, 2020

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The content in this webinar is governed by 26 CFR §1.36B-1-5 and 42 CFR §435.603.

Agenda

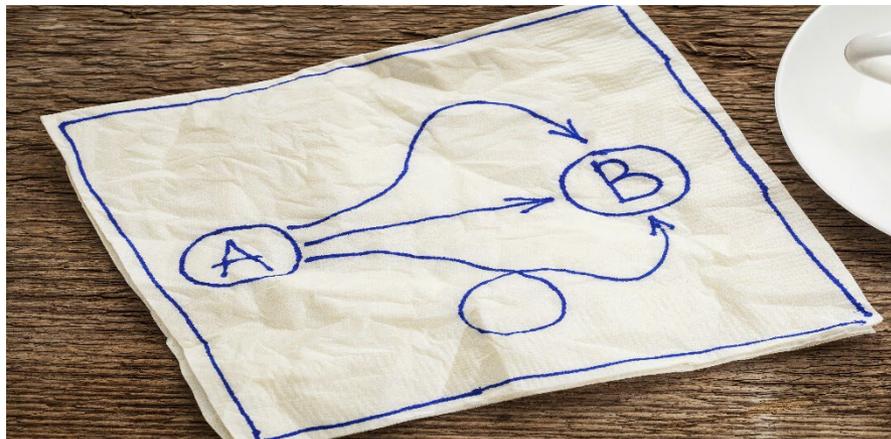
- I. What is MAGI?
- II. Whose Income is Counted?
 - Tax Household
 - Medicaid and CHIP Household
 - Special Rule for Children and Tax Dependents
- III. Which Income Types are Counted?
 - Taxable Income and Deductions
 - Medicaid and CHIP Exceptions
 - Monthly and Annual Income
- IV. Case Examples and Summary



Brainstorming Scenario

You may be familiar with how to enter income on the application.

However, the income number that the Marketplace uses to determine eligibility for help paying for coverage is not always straightforward.



Brainstorming Questions

- Are you or your consumers ever confused about why eligibility results differ from a pre-application estimate?
- Is an income number on the Marketplace Eligibility Determination Notice (EDN) ever surprising?

- This is based on the yearly household income of \$45,600.00—the amount that you put on your application, or that came from other recent information sources.

Why don't I qualify for other programs?

Child B—You don't qualify for Medicaid because your monthly household income (\$3,197.74) is too high.



I. What is MAGI?

What Is MAGI?

- Modified adjusted gross income (MAGI) is a methodology used to determine eligibility for:
 - Advance payments of the premium tax credit (APTC)
 - Cost-sharing reductions (CSRs)
 - Certain Medicaid eligibility groups
 - The Children's Health Insurance Program (CHIP)



How MAGI Rules Are Used

When a consumer applies for help paying for coverage, the Marketplace calculates the consumer's household income using the MAGI methodology.

Then the dollar amount is converted to a percentage of the federal poverty level (FPL) to determine eligibility for each program.

Simple Example: One Person

For example, Gina lives in New Hampshire and is single with no dependents.

- In 2020, she expects to earn \$2,000 each month from her job, which adds up to \$24,000 for the year. She has no other income or deductions that will affect the MAGI computation.
- The Marketplace will calculate her household income to be about 192.15 percent of the applicable FPL for a one-person household size.
- The household income limit for adults in New Hampshire for Medicaid is 138 percent FPL because New Hampshire is a Medicaid expansion state. Therefore, her household income is likely too high to qualify for Medicaid.
- Gina's household income makes her eligible for APTC (≤ 400 percent FPL) and CSRs (≤ 250 percent FPL), if she meets the other eligibility rules.



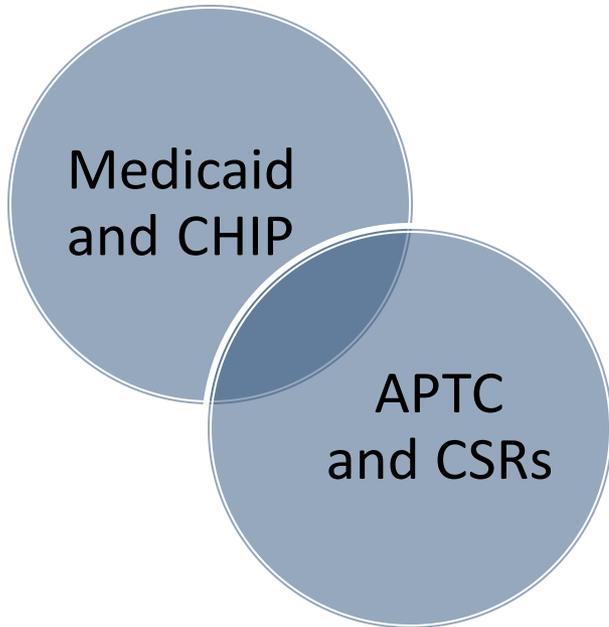
II. Whose Income Is Counted?

Whose Income Should We Add Up?

- You don't need to know the MAGI rules to complete the application and get the right eligibility outcome.
 - The application is designed to ask questions that will collect income information from the right people.
 - The Marketplace will then add together only the income amounts that should count.



Program-Specific MAGI Rules



- All the Marketplace programs use MAGI rules.
- However, there are also program-specific rules the Marketplace uses to determine whose income counts.

Whose Income Counts for APTC/CSRs?

- For APTC/CSR eligibility, the income of the **tax household** (i.e., everyone on the same tax return) counts, even the people who don't need Marketplace coverage.



Whose Income Counts for APTC/CSRs? (Cont.)

- **Tax filers** include spouses if married filing jointly. In most cases, couples who receive APTC are generally required to file jointly.
 - Exception: If you're living apart from your spouse and are a victim of domestic abuse, domestic violence, or spousal abandonment and want to enroll in your own health plan separate from your abuser or abandoner:
 - ❖ You can say you're "unmarried" on your Marketplace application without fear of penalty or mis-stating your marital status. This will let you (and possibly your dependents) qualify for premium tax credits (PTC) and other savings based on your income.
 - Exception: If you plan to use the Head of Household tax filing status on your tax return:
 - ❖ Only certain married people with dependents are allowed to use the Head of Household filing status on their tax returns. Be sure to consult IRS rules before answering that you plan to file with the Head of Household status.
- **Tax Dependents** include dependents who expect to file their own federal income tax returns.

Whose Income Counts for Medicaid and CHIP?

- **General rule** — the Medicaid and CHIP household is the same as the tax household.
- However, the Marketplace checks each applicant's situation for possible **additions and exceptions**.



Additions to the Medicaid and CHIP Household

- For Medicaid and CHIP, sometimes additional people are added to the household size, on top of an applicant's tax household:
 - A spouse, if the spouses live together but aren't on the same tax return.
 - Pregnant women.
 - ❖ A pregnant woman's household size is increased based on the child or children she is carrying, but there won't be additional income to add.

Medicaid and CHIP Household Exceptions

When any of the following situations apply, tax household rules aren't used at all:

- Consumers who do not expect to file federal income taxes and will not be claimed as a dependent.
- Tax dependents claimed by a non-parent or by a non-custodial parent.
- Children living with two parents or stepparents who don't file a joint tax return.



Instead, These Rules Are Used

- For **adults**, the Medicaid/CHIP household includes:
 - The individual.
 - The individual's spouse, if living with the individual.
 - The individual's children,* if living with the individual.
- For **children,*** the Medicaid/CHIP household includes:
 - The child.
 - The child's parent(s), if living with the child.
 - The child's sibling(s),* if living with the child.
 - The child's spouse, if living with the child.
 - The child's children,* if living with the child.



***Individuals are considered children if they are under 19. Full-time students who are 19 or 20 can, at state option, can also be considered children. To learn more about how full-time students are treated, check with your state Medicaid agency.**

Children and Tax Dependents

Always include the income of children and tax dependents (of any age) on the Marketplace application when it is requested.

- There is a special rule for tax dependents and children.
- The Marketplace will calculate whether to count their income based on their age and the income types and amounts they include on the application.



Children and Tax Dependents (Cont.)

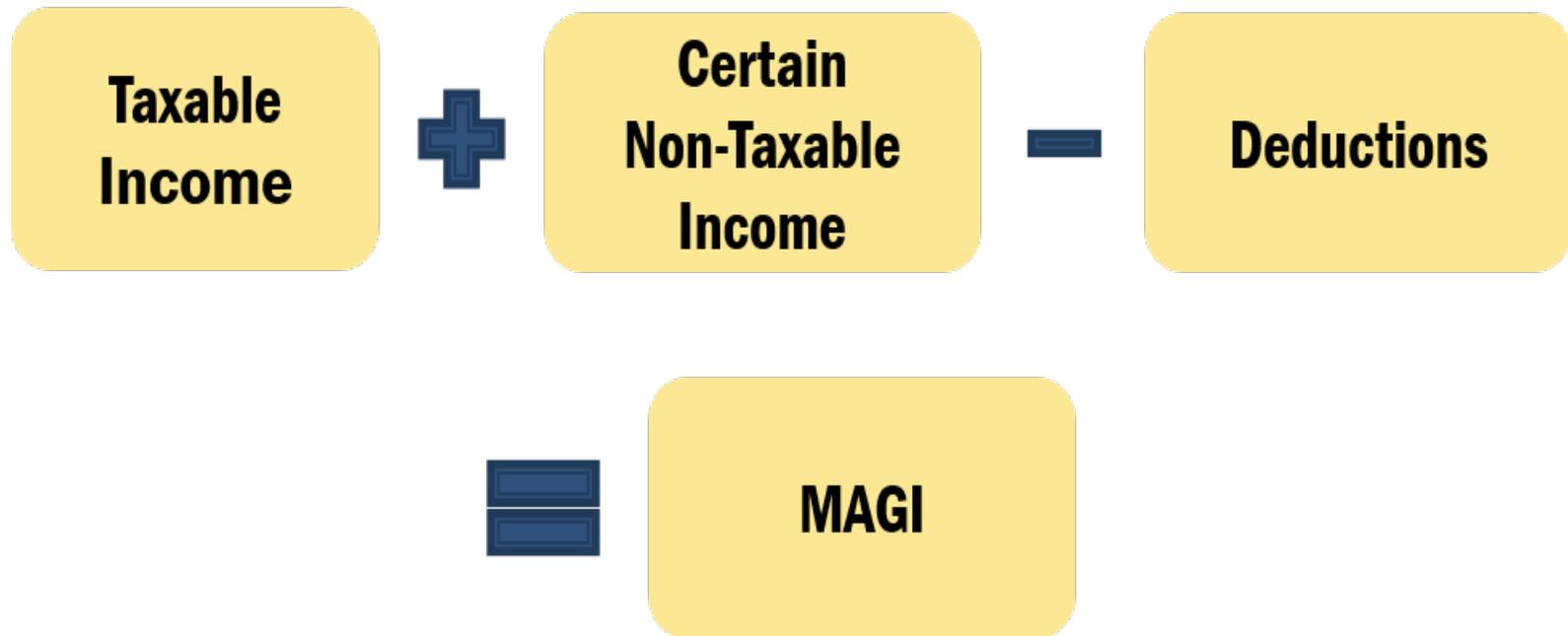
You don't need to know the special rule to complete the Marketplace application. The Marketplace eligibility logic incorporates the following:

- A tax dependent's income only counts in the MAGI methodology if high enough that the dependent is required to file their own tax return, according to IRS rules.
- The income threshold for filing tax returns depends on the type of income the dependent receives.
- The income counting rules for dependents are the same whether or not they plan to file a tax return.
- Dependents may file a tax return when not required to do so and it will not impact eligibility.



III. Which Income Types Are Counted?

MAGI Calculation



Taxable Income

If an income type is taxable and included on the consumer's federal income tax form, then it counts as part of MAGI.

- **All taxable income should be included on the Marketplace application.**
 - Exceptions: there are three income types (certain scholarship income, certain tribal income, and in 2020, Federal Pandemic Unemployment Compensation) that the Marketplace doesn't count for Medicaid and CHIP eligibility even when taxable.
 - ❖ Federal Pandemic Unemployment Compensation of \$600 per week, as authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020, counts for APTC and CSR eligibility, but not for Medicaid and CHIP eligibility.
- **This income should still be reported on the application.** This income, like all other taxable income, still counts for APTC and CSR eligibility. The Marketplace eligibility logic automatically subtracts it out when calculating Medicaid and CHIP eligibility.

Income to Report

Report This Income	Don't Report This Income
Wages, salaries, bonuses	TANF payments
Self-employment income	Child support payments
Tips and gratuities	Gifts
All Social Security retirement and disability income	Supplemental Security Income (SSI)
Unemployment compensation, including <u>as a result of the coronavirus disease 2019 (COVID-19) emergency</u>	Veterans' benefits
Rent income	Workers' compensation
Alimony received (only for divorces or separations finalized before 1/1/2019)	Proceeds from loans

This is not a complete list; refer to IRS Publications 17 and 525 for more details on what income is taxable and not taxable.

Social Security vs. Supplemental Security

Report this income	Don't report this income
Social Security	Supplemental Security Income (SSI)
<p>Social Security income includes Social Security Disability Insurance (SSDI), retirement income, and survivor's benefits. These forms of income are counted in MAGI, even when not taxable.</p>	<p>SSI is separate from Social Security, even though they sound alike. It is designed to help persons who are aged, blind, or disabled who are very low income and have limited assets. SSI is not taxed and does not count towards MAGI.</p>

How to Treat COVID-19 Payments

- The CARES Act calls for the IRS to make economic impact payments of up to \$1,200 per taxpayer and \$500 for each qualifying child. If a consumer gets one of these payments, they don't need to include it in the income they report on their HealthCare.gov application. These payments don't impact consumers' eligibility for financial assistance for health care coverage through the Marketplace, or their MAGI-based eligibility for Medicaid or CHIP.
- More information can be found on the [Coronavirus Tax Relief and Economic Impact Payments](#) page.



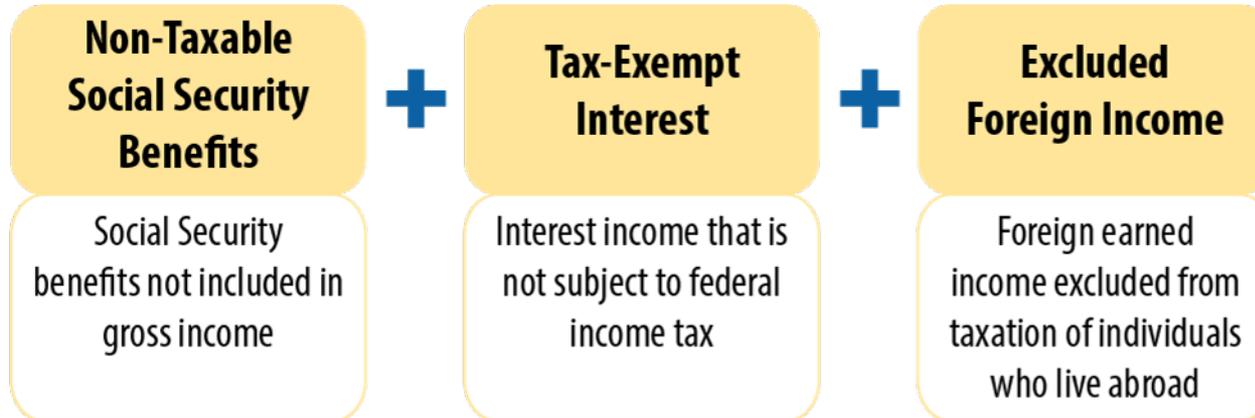
How to Treat Unemployment Compensation

- All types of unemployment compensation should be reported on the Marketplace application, including new benefits created through the CARES Act.
 - *Expanded eligibility:* Pandemic Unemployment Assistance (PUA) is available to individuals who are self-employed, seeking part-time employment, or who otherwise would not qualify for regular unemployment compensation. This type of income should be included on the Marketplace application.
 - *Increased amount:* The Federal Pandemic Unemployment Compensation program (FPUC) provides an additional \$600 per week to consumers for weeks of unemployment through July 31, 2020. This type of income should be included on the Marketplace application.



Non-Taxable Income

- A few non-taxable income types are also included in MAGI. Most households don't have these other income types.



Deductions

A consumer might also have expenses that reduce his or her taxable income and are taken into account in the household income calculation. These are called deductions or adjustments.

There are only a few deduction types that can be included on a Marketplace application.

Deductions (Cont.)

Report These Deductions	Don't Report These Deductions
Alimony paid (only for divorces or separations finalized before 1/1/2019)	Child or dependent care expenses
Student loan interest	Charitable contributions over \$300 per year
IRA contributions (if you don't have a retirement account through a job)	Mortgage interest
Educator expenses (for teachers who pay for supplies out-of-pocket)	Child support payments
For 2020, charitable contributions up to \$300 per year, if allowed by IRS rules	Property taxes
	Tuition costs
	Alimony paid divorces or separations finalized after 1/1/2019

This is not a complete list, refer to IRS Publication 17 for more details on deductions.

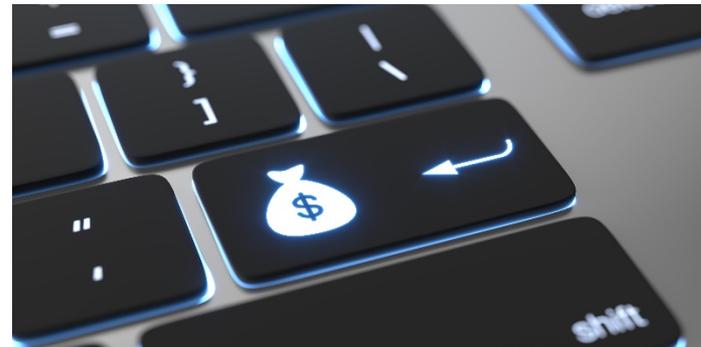
- **MAGI only subtracts the deductions on Schedule 1 of a 1040 tax return.**
- **There are other deductions on other parts of a tax return that should not be reported on the Marketplace application.**

How Much Should Be Included?

- For each income type a consumer receives, the amount to report on the Marketplace application follows the same principles the consumer would use when reporting income on their federal tax return.
 - If part of a consumer's wages aren't taxable because of a "pre-tax" deduction, such as retirement savings, then **only the taxable portion is counted.**
 - A self-employed consumer should include his or her profit (or loss) from self-employment the same way the consumer would report it on a federal income tax return.

Monthly and Annual Income

- The application asks consumers if they have any income in the current month.
 - Consumers should enter the amount they receive and how often they receive it.
 - **Current month income** is generally used to determine Medicaid and CHIP eligibility.
 - If the consumer had an income source earlier in the year but will not receive it during the month that they are applying for coverage, then it should not be added in this section. It can instead be incorporated in the annual income if appropriate.



Monthly and Annual Income (Cont.)

- Then the application asks about total yearly income.
 - Consumers can agree with the calculated amount, or disagree and provide their own estimate.
 - **Projected annual income** for the coverage year is always used for Marketplace APTC and CSR eligibility.
 - If the consumer is applying outside the Open Enrollment Period, their estimate of annual income should include income from earlier in the coverage year, such as income from a job that has ended. For help estimating annual income, there is an annual estimation tool that can be used to identify changes in income.
 - In some states, the projected annual income may be used for Medicaid and CHIP when it is not hard to predict.



IV. Case Examples and Summary

Example 1:

Married Tax Filers and One Dependent

- George and Louise are married and live in Michigan, which is a Medicaid expansion state.
- They file a joint federal income tax return.
- They live with their 17-year-old son Leo, whom they claim as a dependent.
 - George earns \$2,000 every month as an office manager. At the end of the coverage year, he'll also get a \$4,000 bonus, but not this month.
 - Louise receives \$750 each month from Social Security Disability (SSDI).
 - Leo earned \$3,000 from his summer job as a camp counselor.



What does this family qualify for?

Example 1 Answer:

Whose Income Counts?

- For George, Louise, and Leo, the household size includes all three family members because they are all on one tax return.
- The household size is the same for Medicaid and CHIP because no one qualifies for an exception.
- Everyone's income will be required on the application.
- Leo needs to enter his income even though he is a tax dependent. In this case, the Marketplace eligibility logic finds his income low enough to not count in household income.

Example 1 Answer:

How to Enter the Income

- George, Louise, and Leo each enter their **current month income**.
 - George doesn't report the \$4,000 bonus yet because he won't get it this month.
- Then George, Louise, and Leo each enter their **projected annual income**.
 - George disagrees with his calculated yearly income and enters his own estimate of \$28,000.
 - Louise agrees with her calculated yearly income of \$9,000.
 - Leo also disagrees with his calculated yearly income and enters his own estimate of \$3,000, since he only works in the summer.



Example 1 Answer:

What Do They Qualify For?

Answer: In Michigan, George and Louise are eligible for APTC and CSRs and Leo is eligible for Medicaid.

- **To complete the Marketplace application, you won't need to add together income amounts or determine whose income counts.**
 - In this case, the Medicaid/CHIP household income is 152 percent of the applicable FPL, based on George and Louise's current month income of \$2,750 ($\$2,000 + \750) and a household size of three.
 - ❖ Leo is eligible for Medicaid because the income threshold for his age group is 160 percent FPL.
 - In this case, the APTC/CSR household income is 173 percent FPL based on George's and Louise's annual income of \$37,000 [$(\$2,000 \times 12) + (\$750 \times 12) + \$4,000$] and a household size of three.

Example 2: Child Claimed by One Unmarried Parent, Lives With Both Parents

- Karen and Bill are unmarried and live together.
- They don't file a joint federal income tax return.
- They have one teenage child, Max, who lives with them.
- Karen files a tax return and claims Max as a dependent.
- Bill doesn't file a tax return and won't be claimed as a dependent.



Let's assume their income amounts are the same as in Example 1: Karen estimates she makes \$28,000 annually as a paralegal and Bill makes \$9,000 a year from SSDI. Max makes \$3,000 from coaching tennis, but his income, like Leo's, is too low to be included in household income. **What does this family qualify for?**

Example 2:

Entering Household Information

To determine household size, the application will ask:

- Whether each person is married.
 - Karen and Bill say no, and attest that they live together.
- Who files a tax return and who is claimed as a dependent.
 - Bill does not file a tax return and is not claimed as a dependent.
 - Karen says she'll file a tax return and claim Max as a dependent.
- Whether everyone lives together.

To submit the application, you won't need to figure out who counts in the household size.

Example 2 Answer: Whose Income Counts?

Applicant	APTC/CSRs Household	Medicaid/CHIP Household
Karen	<p>Two: Karen, Max Karen is a tax filer with one dependent.</p>	<p>Two: Karen, Max Karen's Medicaid household is the same because she doesn't meet an exception.</p>
Bill	<p>None Because Bill doesn't file a tax return, he won't be eligible for APTC/CSRs.</p>	<p>Two: Bill, Max Bill meets an exception. His household is based on the family members he lives with.</p>
Max	<p>Two: Karen, Max Max is a tax dependent claimed by Karen.</p>	<p>Three: Karen, Bill, Max Max meets an exception. His household is based on the family members he lives with.</p>

Example 2:

How to Enter the Income

- As in Example 1, Karen, Bill, and Max each enter:
 - **Current month income**
 - **Projected annual income**



Example 2 Answer:

What Do They Qualify For?

Answer: In Michigan, Karen is eligible for APTC and CSRs, and Bill and Max are eligible for Medicaid.

- **To complete the Marketplace application, you won't need to add together income amounts or determine whose income counts.**
 - Karen qualifies for APTC/CSRs because her household income is 166 percent FPL, based on an annual household income of \$28,000 ($\$2,000 \times 12$), and a household size of two.
 - Bill is eligible for Medicaid, because his Medicaid/CHIP household income is 52 percent FPL based on his current month income of \$750 and a household size of two.
 - Max is eligible for Medicaid because his Medicaid/CHIP household income is 152 percent FPL, based on his parent's current month household income of \$2,750 ($\$2000 + \750) and a household size of three.

Summary: The Method for MAGI

- Whose income counts towards the total household income?
 - Tax household is used for APTC/CSRs and some exceptions and additions for Medicaid/CHIP.
 - Everyone's income should be included on the application.
- What is the income for each household member?
 - Include all the income subject to tax and certain deductions called adjustments to income, and some non-taxable income as well.
 - Both current month income and projected yearly income may impact eligibility.



Resources

- How to Report Income:
 - [How to estimate your expended income](#)
 - [What to include as income](#)
- Household Size:
 - [Who to include in your household](#)
- IRS Resources:
 - [Form 1040](#)
 - [Additional Income and Adjustments to Income](#)
- Federal Poverty Levels
 - [Federal poverty guidelines used to determine financial eligibility for certain federal programs](#)
- COVID-19 Resources:
 - [Coronavirus Tax Relief and Economic Impact Payments](#)
 - [Marketplace Coverage and Coronavirus](#)