



MAGI

Household Composition and Income Determination

Rhonda Dalton
Elizabeth O'Dell
August 2014



Important Tools

1. MAGI Policy is found in DMA Administrative Letters 06-13, 06-13 Addendum 1, and 06-13 Addendum 2
2. MAGI Household Composition Chart
3. MAGI Counting Income Chart



Health Care Reform Overview

- MAGI eligibility rules apply to eligibility determinations effective January 1, 2014
- Traditional eligibility rules apply to eligibility determinations for months prior to January 1, 2014



MAGI

- Modified Adjusted Gross Income Methodology
 - This will be used to determine how income is counted and how household composition and a family size is constructed when determining eligibility for Medicaid/NCHC.
 - For Medicaid purposes, the applicant's countable income will be the "MAGI-based income."



Groups Included in MAGI Methodology

- MAF (C and N)
- MIC
- MPW
- Family Planning
- NCHC
- HSF (N)



Groups Not Included in MAGI Methodology

- SSI Recipient
- MAA, MAD, MAB and MQB
- Individuals requesting home and community based services such as CAP, PACE, LTC. This includes F&C cases when LTC budgeting applies
- Medically Needy (all programs including HSF and MAF)
- New Former Foster Care- No income test



Groups Not Included in MAGI Methodology

- Additional groups in which the eligibility determination is based on other program rules:
 - IAS
 - BCCM



MAGI Terms

- **Parent** - Natural, adoptive, or step
- **Caretaker** - Must have a child under age 18 in the household
- **Medicaid Aged Child** - Natural, adopted, or stepchild under the age of 19

Note: Medicaid still covers under age 21, but they are not considered a Medicaid child in the household of a non-filer

- **Sibling** - Natural, adoptive, or step
- **Family Size** - Number in the MAGI household



MAGI Terms

- **Tax Filer**
 - An individual who expects to file a tax return for the taxable year in which a determination is made for Medicaid/NCHC.
- **Tax Dependent**
 - An individual expected to be claimed as a dependent by someone else
 - May also be a tax filer
- **Non-filer**
 - An individual who is not expected to file a tax return or expected to be claimed as a tax dependent by someone else



MAGI Household

- Each household member will have their own MAGI household
- Individuals who live in a household may have a different family size
- The family size will determine the income limit



MAGI Household

- Under Traditional policy, the following individuals are not included in the needs unit but the MAGI household may include:
 - SSI Recipient
 - CAP Recipient
 - IAS
 - WFFA
 - Individuals under age 19 who:
 - Are or have been legally married
 - Are serving or have served in the military
 - Have been legally emancipated



Determining MAGI Household

- There are two different sets of rules to build a MAGI household
 - Tax household
 - Non-filer



Tax Household

- Tax filer
 - Tax filer
 - Spouse living with the tax filer
 - All persons whom the tax filer expects to claim as a tax dependents



Tax Household

- Tax dependent
 - The individual
 - Members of the household of the tax filer who is claiming the tax dependent
 - The tax dependent's spouse
 - If living together and not already included



Tax Dependent Exceptions

- If the tax dependent meets one of the following exceptions, apply the non-filer rules on the next slide
 - The individual is claimed as a tax dependent by someone other than a spouse or a natural, adoptive parent or stepparent
 - A child under the age of 19 living with both parents who do not expect to file a joint tax return. This may include a stepparent.
 - A child under the age of 19 claimed as a tax dependent by a non-custodial parent



Non-filer Household

- An individual who:
 - Does not expect to file taxes, **and**
 - Does not expect to be claimed as a tax dependent, or
 - Is a tax dependent who meets one of the exception
- The MAGI household consists of:
 - The individual
 - The individual's spouse
 - The individual's natural, adopted, and step children under the age 19
- If individual is under age 19, the MAGI household includes the same as above AND
 - The individual's natural, adoptive live-in parent / stepparent **and**
 - The individual's natural, adopted, and step live-in siblings under the age of 19



Two Important Questions

- **Do you plan to file taxes?**
- **Will you be claimed as a tax dependent?**
- **Note: Document client's responses, no verification required.**



Now let's talk about Income Determination



What Hasn't Changed

- Base Periods
 - Follow current policy
- Income conversion computation
 - Follow current policy
 - Convert income received weekly, bi-weekly, and semi-monthly to gross monthly amount



MAGI Income Rules

vs

Traditional Income Rules



Income Source	Current Medicaid Rules	MAGI Medicaid Rules
Self Employment	Counted with limited deductions for business expenses	Counted with deductions for most expenses including depreciation, and business losses
Salary Deferrals [flexible spending, cafeteria and 401 (k) plans]	Counted	Not Counted
Child Support	Counted	Not counted
Veterans benefits	Counted	Not counted
Worker's compensation	Counted	Not counted
Gifts and inheritances	Counted as lump sum in the month received	Not counted



Deductions/Disregards	Current Medicaid rules for Deductions	MAGI Medicaid rules for Deduction
Alimony paid	Not deducted from income unless court ordered	Deducted from income
Earned Income Deduction (27.5%)	Deducted from income	Not deducted from income
Federal and State Earned income Tax Credit (EITC)	Deducted from income	Not deducted from income
Standard Work deduction (\$90)	Deducted from income	Not deducted from income
Child/Adult care deduction	Deducted from income	Not deducted from income
Job Bonus	100% Earned Income Disregarded	Not Disregarded
5% Income Disregard	N/A	Deducted from income



Overview of Changes

- Income limits for the MAGI
- Children 6-18 previously eligible for NCHC with income under 133% will now be eligible for Medicaid
- There will be four different income limits for children age 6-18
 - MIC-N – under 107%
 - MIC-1 – 107 - 133%
 - MIC-J - 133 – 159%
 - MIC-K – 159 – 211%



Overview of Changes

- Previously allowed deductions and disregards no longer apply
- A 5% income disregard is applied to countable income when A/B is ineligible for all Medicaid/NCHC programs based on gross income
- No asset/resource test for the MAGI groups
- Previous financial responsibility rules have changed



Overview of Changes

- All federal deductions from self-employment income now allowable for MAGI households
- MAGI rules apply
 - if you file taxes
 - if you don't file taxes
 - if you are claimed as a dependent
 - If you are not claimed as a dependent



Countable Income

- Income sources used in determining the adjusted gross income include but are not limited to
 - Wages/tips
 - Unemployment
 - Pension and annuities
 - Income from business or personal services
 - Interest
 - Alimony received
 - Social Security benefits
 - Foreign earned
 - Lump sum in the month received



Non-Countable Income

- Child support
- Veterans' benefits
- Gifts and inheritances
- Cafeteria/flexible spending plans
- Contributions to 401(k)
- Pre-tax retirement contributions
- Scholarships, awards, or fellowship grants used for educational expenses. Any amount used for living expenses is countable income (room and board).
- Lump sums, except in the month received
- Certain Native American and Alaska Native income



Pre -Tax Deductions

- Salary deferrals
 - Cafeteria/flexible spending plans
 - Contributions to 401K plans
 - Flexible spending
 - Pre-tax retirement contributions
 - Pre-tax insurance premiums



How to Determine Taxable Gross Employment

- Wage stub may indicate taxable income amount
- If taxable income is not indicated
 - Get gross income
 - Subtract any pretax and/or tax deferred deductions



How to Determine Self-Employment

- Tax return
 - The amount reflected on line 12 of the IRS form 1040 or line 31 of IRS form 1040 Schedule C
- Business records
 - Take gross self-employment
 - Allow any federally allowed deductions that are claimed on the business records .Use IRS form schedule C as a reference guide to allowable deductions



Next Step

- We showed you how to get to the taxable gross income
- Now we will show you how to get to the countable income



Examples of deductions

Here are some examples of deductions:

- Health saving account
- Self-employed health insurance
- Deductible part of self-employment tax
- IRA contributions
- Alimony paid

Additional deductions are found on IRS form 1040
lines 23 through 35



Example of IRS form 1040 showing deductions from line 23 through line 35

Adjusted Gross Income	23	Educator expenses	23			
	24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24			
	25	Health savings account deduction. Attach Form 8889	25			
	26	Moving expenses. Attach Form 3903	26			
	27	Deductible part of self-employment tax. Attach Schedule SE	27			
	28	Self-employed SEP, SIMPLE, and qualified plans	28			
	29	Self-employed health insurance deduction	29			
	30	Penalty on early withdrawal of savings	30			
	31a	Alimony paid b Recipient's SSN ▶ <input type="text" value="! !"/>	31a			
	32	IRA deduction	32			
	33	Student loan interest deduction	33			
	34	Tuition and fees. Attach Form 8917	34			
	35	Domestic production activities deduction. Attach Form 8903	35			
	36	Add lines 23 through 35	36			
37	Subtract line 36 from line 22. This is your adjusted gross income ▶	37				



Whose Income Counts

- Basic Rules
 - When using a tax household, do not count income of tax dependents unless they expect to file a tax return
 - When using a non-filer household, if the parent(s) is in the household, do not count the income of the child and or siblings under age 19 unless they expect to file taxes
 - When using a non-filer household, if the parent is not in the household, count income of child under 19 and of all siblings under age 19 for all of them. Also, include income of spouse of the child



Determining the household income for each individual

- Determine countable income
- Compare to MAGI Medicaid Income Limits Chart
- Subtract 5% income disregard only if gross income exceeds income limits



Let's see how it works!!!

Please use the MAGI Household Composition Chart and the Counting Income Chart to work through the following examples



Example 1

Caroline, age 19, is pregnant and is applying for Medicaid for herself and her 15 year old sister Lucinda. They live with their Mother, Teresa, who is divorced from their father, Carl. There are no other siblings in the home. Caroline does not have any income and does not expect to file taxes herself, but expects to be claimed as tax dependent by her father, who also claims Lucinda. Lucinda does not have any income and she does not expect to file taxes either.



Example 1

Caroline’s MAGI H/H: Caroline expects to be claimed as a tax dependent, but she does not meet any tax dependent exceptions. Column 2 corresponds to her situation. This means that her H/H will be the household of the tax payer who is claiming her – it will be her father, Caroline, her unborn child, plus any other dependents – Lucinda. Her family size will be 4.

Caroline’s Countable Income: The counting income chart indicates that for the tax dependent who does not meet an exception, we will count the income of the tax filer – Carl.

Lucinda’s MAGI- HH: Lucinda expects to be claimed as a tax dependent and she meets a tax dependent exception. Column 5 corresponds to her situation. This means that her H/H will be Lucinda, the applicant, and her mother, Teresa. Her family size will be 2. Caroline is over 19 and is not in her hh.

Lucinda’s Countable income: Count the income of her live in parent Teresa.

A P P L I C A N T	Medicaid Household	Caroline	Lucinda	Carl	Teresa	Family Size
	Caroline	X+1	X	X		4
	Lucinda		X		X	2
						38



Example 2

Doreen is 16 years old and has applied for Medicaid along with her mother, Thelma, her father, George, and her 10 year old brother, Kevin. George and Thelma do not expect to file taxes nor be claimed as dependents. Doreen works and expects to file taxes, but does not expect to be claimed as a dependent. Kevin does not expect to file nor be claimed as a dependent.



Example 2

Doreen's MAGI H/H: Doreen expects to file taxes and does not expect to be a tax dependent for anyone else. Column 1 corresponds to her situation. This means her household will consist of herself only. She is a family size of 1.

Countable Income: The counting income chart indicates that for Doreen, a tax filer, we will count only her income when determining her eligibility.

Kevin's MAGI H/H: Kevin does not expect to file taxes nor expects to be claimed as a tax dependent. Column 4 corresponds to his situation. This means his household will consist of himself, his live in parents, Thelma and George, and his live in sibling under age 19, Doreen.

Countable Income: His countable income will be Thelma, George, and Doreen's countable income. Doreen is under 19 and expects to file a tax return.

Thelma and George's MAGI H/H: They do not expect to file taxes nor be claimed as a tax dependent. Column 4 corresponds to their situation. This means their hh will consist of Thelma, George, Doreen and Kevin. Family size of 4.

Countable Income: Income of Thelma, George and Doreen because she is under 19 and expects to file a tax return.

A P P L I C A N T	Medicaid Household	Doreen	Kevin	Thelma	George	Family Size
	Doreen	X				1
	Kevin	X	X	X	X	4
	Thelma	X	X	X	X	4
	George	X	X	X	X	4



Example 3

Rebecca is a single, age 22, and lives with her son, Jason, age 3. She does not expect to file taxes, but does expect that she and her son will be claimed as dependents by her mother and father, Claire and Clarence. There are no other dependents.



Example 3

Rebecca's MAGI H/H: Rebecca expects to be claimed as a tax dependent and she does not meet any exceptions, therefore, column 2 corresponds to her situation. Her household will be the household of the taxpayer claiming her. This means it will include her mother and father (the tax payers), herself, and her son – a family size of 4.

Countable Income: Rebecca is a tax dependent who does not meet an exception. The counting income chart indicates that we will count the income of the tax filers, Claire and Clarence.

Jason's MAGI H/H: Jason expects to be claimed as a tax dependent and meets an exception - he will be claimed by someone other than a spouse or parent. Column 5 corresponds with his situation. His hh will be Jason and his mother, Rebecca.

Countable Income: Jason's countable income will be his mother's income only.

A P P L I C A N T	Medicaid Household	Rebecca	Jason	Claire	Clarence	Family Size
	Rebecca	X	X	X	x	4
	Jason	X	X			2



Example 4

Cynthia, age 40, is applying for herself. She and her three children, Joseph 5, Mary 7, and Jacob 9, all live together in the home. She and the children's father, Adam, are separated. Cynthia states to the caseworker "she does not expect to file a tax return but she expects that her husband will claim her and the children as dependents." The children do not expect to file taxes.



Example 4

Cynthia's H/H: Cynthia and her husband are still married. Spouses cannot claim a spouse as a dependent – they are co-filers which makes Cynthia a tax filer. Column 1 corresponds to her situation. Her household will be herself, her spouse/co-filer, Adam, and their three children whom they claim as dependents. A family size of 5.

Countable Income: Since she is a tax filer, we will count the income of the tax filers which includes the co-filer, Adam's income. It does not matter that he is not in the home since he is included in the tax household.

Joseph's H/H: Joseph does not expect to file taxes but will be claimed as a tax dependent by his father who does not live in the home. Joseph will meet a tax dependent exception - he will be claimed by a non-custodial parent. Column 5 corresponds to his situation. His hh will be himself, his mother, Cynthia, and his siblings Mary and Jacob. A family size of 4.

Countable Income: His countable income will be the income of his live in mother, Cynthia.

Mary and Jacobs' MAGI HH and Countable income will be the same as Joseph's.

A P P L I C A N T	Medicaid Household	Cynthia	Joseph	Mary	Jacob	Adam	Family Size
	Cynthia	X	X	X	X	X	5
	Joseph	X	X	X	X		4
	Mary	X	X	X	X		4
	Jacob	X	X	X	x		4



Questions?