



# **The World According to MAGI**

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# What is MAGI?

- **Modified Adjusted Gross Income** is a methodology for determining:
  - Who is in household
  - What is the household size
  - What is the household income
- Replaces existing income counting and disregards and household rules for most Medicaid eligibility categories
- Not every nuance of income/household rules will be covered in this presentation – see NHeLP's *The Advocate's Guide to MAGI* (available on our website: [www.healthlaw.org](http://www.healthlaw.org))

# Why MAGI?

- Used to streamline eligibility determinations across multiple Insurance Affordability Programs (IAPs)
  - Medicaid
  - CHIP
  - Marketplace coverage
    - Premium Tax Credits (PTCs)
    - Cost Sharing Reductions (CSRs)
- Based upon the household income as a percentage of the Federal Poverty Level (FPL) for a household of that size

# Statutory/regulatory citations

- ACA Sec. 2002 – INCOME ELIGIBILITY FOR NONELDERLY DETERMINED USING MODIFIED GROSS INCOME: Soc. Sec. Act Section 1902(e)(14)
- 42 U.S.C. § 1396a(e)(14)
- **42 C.F.R. § 435.603** -- Medicaid
- 42 C.F.R. § 457.315 – CHIP (refers to 435.603)
- 45 C.F.R. § 155.305(f)(i) – APTCs (refers to Internal Revenue Code 26 I.R.C § 36B(d)(2))

# The key questions for MAGI

- ✓ Who is in the “household”?
- ✓ What is the household size (number)?
- ✓ What income can be counted?
- ✓ What income will be counted as household income?
- ✓ Does the new 5% income disregard apply?
- ✓ Do you look at current income or annual income?

# The key question that is NOT asked for MAGI

How much money do you have in the bank???

**There is no asset/resource test under MAGI.**

[Resource limits continue as before for non-MAGI Medicaid categories.]



# To whom does MAGI apply?

MAGI Medicaid	Non-MAGI Medicaid
Childless adults 19-64	Aged
Pregnant women	Blind
Children up to age 19 (or 21 if full time student, at state option)	Disabled
Parent/Caretaker Relative	Long-Term Care
Disabled (prior to disability determination)	Medically Needy
	Foster Care
	QMB/SLMB/QI
	Express Lane Eligibility
	*Not a complete list

# What income is counted?

- IRS tax rules (mostly) govern what income is counted
- Start with Adjusted Gross Income (AGI)
- **STEP 1**: Determine Adjusted Gross Income (AGI) from tax form:
  1. Add all income on Form 1040, Lines 7 to 21
  2. Subtract all adjustments on Lines 23 to 35
  3. Total = Adjusted Gross Income (AGI) on Line 37
- **STEP 2**: Make adjustments to AGI to calculate Modified Adjusted Gross Income (MAGI)



<b>Income</b>	7	Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . .			7		
	8a	Taxable interest. Attach Schedule B if required . . . . .			8a		
	b	Tax-exempt interest. Do not include on line 8a . . . . .			8b		
	9a	Ordinary dividends. Attach Schedule B if required . . . . .			9a		
	b	Qualified dividends . . . . .			9b		
	10	Taxable refunds, credits, or offsets of state and local income taxes . . . . .			10		
	11	Alimony received . . . . .			11		
	12	Business income or (loss). Attach Schedule C or C-EZ . . . . .			12		
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/> . . . . .			13		
	14	Other gains or (losses). Attach Form 4797 . . . . .			14		
	15a	IRA distributions . . . . .	15a		b Taxable amount . . . . .	15b	
	16a	Pensions and annuities . . . . .	16a		b Taxable amount . . . . .	16b	
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E . . . . .			17		
	18	Farm income or (loss). Attach Schedule F . . . . .			18		
19	Unemployment compensation . . . . .			19			
20a	Social security benefits . . . . .	20a		b Taxable amount . . . . .	20b		
21	Other income. List type and amount . . . . .			21			
22	Combine the amounts in the far right column for lines 7 through 21. This is your <b>total income</b> ► . . . . .			22			
<b>Adjusted Gross Income</b>	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 ►		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 <b>adjusted gross income</b> ► . . . . .			37		

# AGI to MAGI

AGI (From Line 37 of 1040)

+ Excluded Foreign Income

+Tax Exempt Interest

+ Non-taxable Social Security benefits\*

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= MAGI

\*You just need to know that all Social Security benefits count as part of MAGI.

# MAGI v. non-MAGI (current Medicaid income rules)

Type of Income	MAGI	Non-MAGI
Earned Income (Wages)	Excludes Some Pre-Tax Deductions; No Disregards	Total Gross Income; Significant Disregards
Self-employment Income	Profit (from Schedule C)	Generally Revenue Minus Business Expenses (but may vary by state)
Some Veteran's Benefits	NO	YES
Social Security	YES	YES
Workers' Comp	NO	YES
Child Support - Received	NO	YES (Less Small Disregard)
Child Support - Paid	YES	NO
Alimony - Received	YES	YES (Less Disregard?)
Alimony - Paid	NO	NO
Gifts/Inheritances	NO	YES

# Special exceptions:

## Income subtracted for Medicaid

Certain additional types of scholarship/fellowship income excluded for Medicaid

Certain additional types of American Indian income excluded for Medicaid

Lump Sum Income: only counted in month received for Medicaid; included in annual income for APTC calculation

# Whose income counts?

- **Basic rule:** Once you identify who is in the “household”, you count the MAGI income of each household member.
- BUT.....you do **not** count the income of a child or other dependent **if** he/she is **not required** to file a tax return.
  - 2013 minimums for filing requirement for most dependents:
    - Unearned income of more than \$1000
    - Earned income of more than \$6100
    - Both: Gross income is more than larger of \$1000 or earned income (up to \$5750) plus \$350
  - Requirements differ for blind, aged, married dependents – see IRS Pub. 501
- This rule applies to both Marketplaces and Medicaid

# Annual income or current income?

- **Marketplace Eligibility** (PTCs/CSRs): Projected annual income
- **Medicaid Eligibility:** Current Income (Point-in-time)
  - **Applicants:** Current monthly income & family size
  - **Recipients:** State may use current monthly income/family size or projected for remainder of calendar year
  - **Applicants/Recipients:** State may adopt method to included prorated future income or increases or decreases in income/family size. Adequate evidence must be provided.

# Does the 5% income disregard apply?

- All previous deductions and disregards for MAGI categories eliminated
- For Medicaid, the **5% disregard** only applies if necessary to determine eligibility for any category
  - i.e., only gets applied for the highest FPL limit for which a person might qualify
- Does not apply to PTC/CSR eligibility or amount determination

# MAGI conversion

- Federal Poverty Levels for eligibility have been converted to account for loss of deductions/disregards
- Conversion done by averaging historical data on deductions/disregards by eligibility category
- Conversion done on an “aggregate” basis, so there will be winners and losers
- CMS provided calculations for states, which they could accept or could substitute with state data or an alternate methodology, subject to CMS approval



QUESTIONS??

# Why household size matters

- **Household composition** = identifying individuals who are members of the household
- **Household size** = sum total of individuals in the household
- However, there are different rules for determining who is in the household and how to count them for Marketplace and Medicaid

**It can get complicated!**

# Guiding principles

- **General rule:** tax filer(s) + dependents
- **Conduct** a person-by-person analysis
- **Determine** the Marketplace and Medicaid household for each individual
  - Marketplace household will be the same for all members
  - Medicaid household may vary
- **Ask:** Who is seeking an eligibility determination?
  - Remember: You can apply on behalf of someone else
  - Remember: You do not have to be eligible to be counted as a member of a Marketplace or Medicaid household

# Tax filer(s)

- A tax filer is someone who expects to file a federal income tax return and who claims a personal exemption
  - Currently at \$3,900 per individual
  - A dependent who files to get a refund (e.g., a child w/a summer job) is not a tax filer
- Spouses filing jointly are both considered tax filers
  - One spouse cannot claim another as a dependent
- Valid same sex marriages recognized

# Married/separated couples

- Spouses **must** file jointly to be eligible for PTCs/CSRs\*
- Narrow exception for those who qualify for “head of household” filing status
  - Pay more than half the cost of keeping up his/her home for the tax year
  - Live apart for at least the last 6 months of the tax year
  - Your home was the main home of your child, stepchild, or foster child for more than half the year
  - You must be able to claim an exemption for the child
- New IRS guidance on domestic abuse survivors
  - Must live apart
  - Use “married filing separately” filing status

# Two kinds of tax dependents

- Qualifying child
- Qualifying relative
- Note:
  - Only one person (or spouses filing jointly) can claim someone as a dependent
  - A dependent cannot have dependents

# Qualifying child

- **Relationship**
  - son, daughter, stepchild, foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them
- **Age**
  - Be under 19, or under 24 for full time students
  - Can be any age if “permanently and totally” disabled
- **Residence**
  - Must live with you for more than ½ the year\*
- **Support**
  - The child must not provide more than 50% of own support

# Qualifying relative

- Cannot be a qualifying child
- Gross income less than exemption amount (\$3,900)
- The tax filer provides more than 50% of support for the year
- Related to the tax filer (as specified)
- OR, someone not related to you, but who lives with you full time



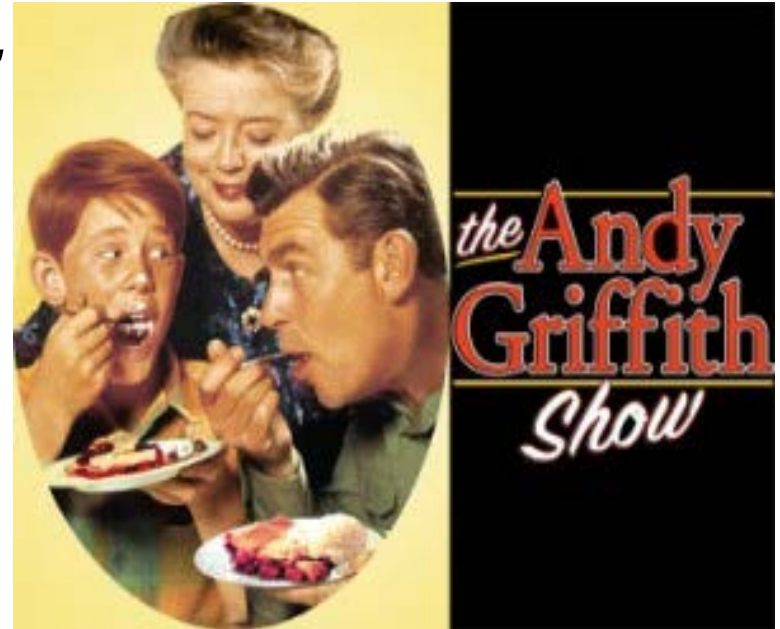


# Review: the Marketplace household

- **General rule: Tax filer(s) + dependents**
  - Includes qualifying child and/or qualifying relative
  - Includes dependents who expect to file federal income taxes
  - Spouses must file jointly to qualify for PTCs/CSRs\*
  - All Marketplaces must recognize valid same sex marriages
  - Special rules for those who are not lawfully present

## Example #1 – Tax filer and dependents – Marketplace

*Andy and Opie are father and son, who live with Aunt Bee. Andy is a tax filer who claims Opie as a dependent (qualifying child) and Aunt Bee as a dependent (qualifying relative).*



Andy's Marketplace household is three (Andy, Opie, Aunt Bee)

Opie's Marketplace household is three (Andy, Opie, Aunt Bee)

Aunt Bee's Marketplace household is three (Andy, Opie, Aunt Bee)

# The Medicaid household

- **General rule** – the Medicaid household is the same as the Marketplace household
  - **Tax filer(s) + dependents**

**But there are separate  
Medicaid rules and  
exceptions that may apply!**

# Be on the alert for...

- People who don't file taxes or are not claimed as dependents
  - Separate rules apply to determine their Medicaid household
- Married couples who live together, but file taxes separately
  - Under Medicaid rules they are in the same household
- Pregnant women – two sets of rules on how to count them!
- Child claimed as a dependent by only one parent
  - Both parents live together, or
  - The child is claimed by the non-custodial parent
- Dependent relatives (other than spouse or child)
  - Apply separate rules for non-filers/non-dependents

# Analyzing the Medicaid household

1. Who is seeking an eligibility determination?
2. Is this person a tax filer or claimed as a dependent?
  - If neither, apply the separate Medicaid rules for non-filers/non-dependents
3. Do any exceptions or other separate rules apply?
  - Dependents
    - Children claimed by only one parent
    - Dependent relatives
  - Married couples filing separately
  - Pregnant women
  - Same sex married couples

## Example #2 – Medicaid: General Rule -- tax filer(s) + dependents

*George and Louise are married. They file a joint federal income tax return. They have one teenage child, Lionel, whom they claim as a dependent (qualifying child).*



Marketplace household is three (George, Louise, Lionel)

George's Medicaid household is three (George, Louise, Lionel)

Louise's Medicaid household is three (George, Louise, Lionel)

Lionel's Medicaid household is three (George, Louise, Lionel)

## Separate Medicaid rules for non-filers/non-dependents (apply also to special exceptions for dependents)

For **adults**, the Medicaid household consists of:

- The individual;
- The individual's spouse if living with the individual;
- The individual's children\* if living with the individual.

For **children**,\* the Medicaid household consists of:

- 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.

**\*Under 19, or under 21 for full time students (at state option)**

## Example #3 – Non-filers/non-dependents (apply the separate rules)

*George and Louise are married and live together. They have one teenage child, Lionel, who also lives with them. None expect to file federal income taxes, and no one will claim any of them as a tax dependent.*



George, Louise, and Lionel do not have a Marketplace household.

George's Medicaid household is three (George, Louise, Lionel)

Louise's Medicaid household is three (George, Louise, Lionel)

Lionel's Medicaid household is three (George, Louise, Lionel)



## ***Exception to the general rule –*** **Child claimed as a dependent by one parent**

- When a child lives with both parents, but is claimed as a dependent by only one parent
- Apply the separate rules for non-filers/non-dependents:
  - The child's Medicaid household consists of:
    - The child;
    - The child's parent(s) (if living with the child);
    - The child's siblings\* (if living with the child);
    - The child's spouse (if living with the child);
    - The child's children\* (if living with the child).

## Example #4 – Child claimed by one parent - unmarried filing separately

*George and Louise are **unmarried and live together**. They file separate federal income tax returns. They have one teenage child, Lionel, who lives with them. George claims Lionel as a dependent (qualifying child). Louise files her own tax return.*



George's Marketplace household is two (George, Lionel)

Louise's Marketplace household is one (Louise)

Lionel's Marketplace household is two (George, Lionel)

George's Medicaid household is two (George, Lionel)

Louise's Medicaid household is one (Louise)

Lionel's Medicaid household is three (George, Louise, Lionel)

## Example #4 – explanation

*George and Louise are unmarried and live together. They file separate federal income tax returns. They have one child teenage child, Lionel, who lives with them. George claims Lionel as a dependent (qualifying child). Louise files her own tax return.*

George is a tax filer with a dependent.  
Louise is a tax filer with no dependents.

Lionel is claimed as a dependent by one parent, which is his Marketplace household. However, for Medicaid apply the rules for non-filers/non-dependents.

Lionel's Medicaid household includes the parent(s) he lives with.



## Example #5 – Child claimed by one parent - married filing separately

*George and Louise are **married** and **live together**. They file **separate federal income tax returns**. They have one teenage child, Lionel, who lives with them. George claims Lionel as a dependent (qualifying child). Louise files her own tax return.*



George, Louise, and Lionel are not eligible for PTCs/CSRs

George's Medicaid household is three (George, Louise, Lionel)

Louise's Medicaid household is two (George, Louise)

Lionel's Medicaid household is three (George, Louise, Lionel)

## Example #5 – Explanation

*George and Louise are **married** and **live together**. They file **separate federal income tax returns**. They have one teenage child, Lionel, who lives with them. George claims Lionel as a dependent (qualifying child). Louise files her own tax return.*



Married couples who live together are in the same Medicaid household, regardless of whether they file separate federal income tax returns.

Lionel is claimed by one parent – apply the rule for non-filers/non-dependents. His Medicaid household includes the parents he lives with – George and Louise

# ***Exception to the general rule –***

## **Child claimed by a non-custodial parent**

- Children who live with one parent, but who are claimed as a tax dependent by the non-custodial parent...
- Apply the special rules for non-filers
- The child's Medicaid household consists of:
  - The child;
  - The parent that the child is living with;
  - The child's siblings\* (if living with the child);
  - The child's spouse (if living with the child);
  - The child's children (if living with the child).

## Example #6 – Child claimed by non-custodial parent

*George and Louise are divorced and live apart. They file separate federal income tax returns. They have one child, Lionel. George claims Lionel as a dependent (qualifying child). Lionel lives with Louise, but spends weekends with George. Louise files her own tax return and does not claim any dependents.*

George's Marketplace household is two (George, Lionel)  
Louise's Marketplace household is one (Louise)  
Lionel's Marketplace household is two (George, Lionel)

George's Medicaid household is two (George, Lionel)  
Louise's Medicaid household is one (Louise)  
Lionel's Medicaid household is two (Louise, Lionel)





## Example #6 – explanation

*George and Louise are divorced and live apart. They file separate federal income tax returns. They have one child, Lionel. George claims Lionel as a dependent (qualifying child). Lionel spends weekends with George. Louise files her own tax return and does not claim any dependents.*



Lionel is in the Marketplace household with George because George claims him as a tax dependent.

Lionel is claimed as a tax dependent by a non-custodial parent. Apply the rules for non-filers/non-dependents. His Medicaid household includes the parent he lives with – Louise.



## ***Exception to the general rule –*** **Dependent relatives**

- Generally, dependents are in the same household of a tax filer, except when...
- The dependent is someone other than “a spouse or a child” of the tax filer
- Apply the special rule for non-filers
  - The individual’s Medicaid household consists of:
    - The individual;
    - The individual’s spouse, if living with the individual;
    - The individual’s children,\* if living with the individual.

## Example #7 – Dependent relatives – Medicaid household

*Andy and Opie are father and son, who live with Aunt Bee. Andy is a tax filer who claims Opie as a dependent (qualifying child) and Aunt Bee as a dependent (qualifying relative).*



Marketplace household is three (Andy, Opie, Aunt Bee)

Andy's Medicaid household is three (Andy, Opie, Aunt Bee)

Opie's Medicaid household is three (Andy, Opie, Aunt Bee)

Aunt Bee's Medicaid household is one (Aunt Bee)

## Example #7 – explanation

*Andy and Opie are father and son, who live with Aunt Bee. Andy is a tax filer who claims Opie as a dependent (qualifying child) and Aunt Bee as a dependent (qualifying relative).*



Why? Because Aunt Bee is claimed as a tax dependent, but is neither a spouse nor a child of the tax filer (Andy).

Apply the rules for non-filers/non-dependents. Aunt Bee's Medicaid household consists of just her (since she has no spouse or minor children).

# Special rules for Family Planning SPAs

## State options for household size:

1. only the applicant;
2. all of the members of the family; or
3. the applicant's household size plus one (regardless of whether the state counts all the members of the family or only the applicant)

## State options for income:

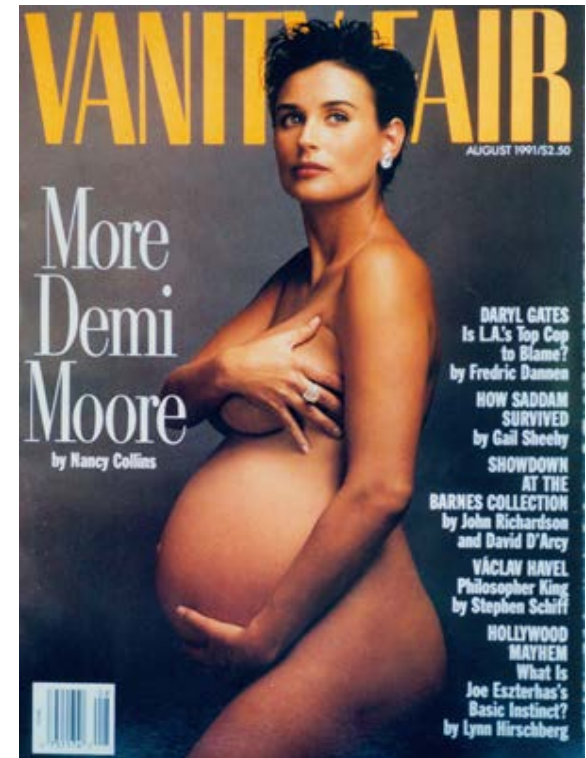
1. the income of only the applicant; or
2. the income of the applicant and all legally responsible household members

# Special rules for pregnant women

- Marketplace rule – a pregnant woman is counted as one person
- In Medicaid, if a pregnant woman is seeking an eligibility determination for herself, she is counted as one person plus the number of children expected to deliver
- However, if a pregnant woman is in the household of someone who is seeking an eligibility determination, states can opt to count her as one person, two people, or one person plus the number of children expected

## Example #9 – pregnant woman seeking eligibility determination

*Demi is pregnant and expecting triplets. She lives in Wheeling, WV with boyfriend Ashton, whom she claims as a dependent (qualifying relative), and her daughter Rumer, who is claimed as a dependent (qualifying child) by Demi's ex husband Bruce, who lives in Malibu.*



Demi's Marketplace household is two (Demi, Ashton)

Demi's Medicaid household is five (Demi, three unborn children, Ashton)

## Example #10 – pregnant woman in the household of someone else seeking an eligibility determination

*Demi is pregnant and expecting triplets. She lives in Wheeling, WV with boyfriend Ashton whom she claims as a dependent (qualifying relative), and her daughter Rumer, who is claimed as a dependent (qualifying child) by Demi's ex husband Bruce, who lives in Malibu.*

*WV counts pregnant women as one person, regardless of how many babies are expected, when she is in the household of someone seeking an eligibility determination.*

**What is Rumer's household size?**





# Answer

Rumer's Marketplace household is two (Bruce, Rumer)

Rumer's Medicaid household is two (Demi, Rumer)

## Why?

Rumer is claimed as a dependent by her father Bruce and is thus in his Marketplace household.

Because Rumer is claimed by a non-custodial parent, apply the rules for non-filers/non-dependents. Her Medicaid household includes the parent she lives with (Demi).

Demi is counted as one person in WV when she is in the household of someone seeking an eligibility determination.





## Example #10a – pregnant woman in the household of someone else seeking an eligibility determination

*Demi is pregnant and expecting triplets. She lives in Akron, OH with boyfriend Ashton whom she claims as a dependent (qualifying relative), and her daughter Rumer, who is claimed as a dependent (qualifying child) by Demi's ex husband Bruce, who lives in Malibu.*

*OH counts pregnant women as one person, plus the number of children expected to deliver, when she is in the household of someone seeking an eligibility determination.*



**What is Rumer's household size?**

# Answer

Rumer's Marketplace household is two  
(Bruce, Rumer)

Rumer's Medicaid household is five  
(Demi, Rumer, three unborn children)

## Why?

Rumer is claimed as a dependent by her father  
Bruce they are in the same Marketplace household.

Because Rumer is claimed by a non-custodial parent, apply the rules for non-filers/non-dependents. Her Medicaid household includes the parent she lives with (Demi).

Demi is counted as four people in OH— one plus the number of children expected to deliver — when she is in the household of someone seeking an eligibility determination.



## Pop quiz - what about Ashton?

*Demi is pregnant and expecting triplets. She lives in Wheeling, WV with boyfriend Ashton, whom she claims as a dependent (qualifying relative), and her daughter Rumer, who is claimed as a dependent (qualifying child) by Demi's ex husband Bruce, who lives in Malibu.*

*WV counts pregnant women as one person regardless of how many children are expected, If she is in the household of someone seeking an eligibility determination.*

Ashton's Marketplace household is two



## What is Ashton's Medicaid household?

# Ashton's Medicaid household is one



**(Ashton)**



# Why?



=



## Ashton is Aunt Bee!

- Not a tax filer
- Claimed as a dependent
- Is neither a spouse nor a child of the tax filer who claims him as a dependent
- Apply the rules for non-filers/non-dependents

# MAGI Tips for Success

- ✓ Who is in the Marketplace household?
- ✓ Who is in the Medicaid household?
- ✓ What income does each person have?
- ✓ Does that income count toward MAGI?
- ✓ Does that income count toward the household income?
- ✓ Do any of the Medicaid income exclusions apply?
- ✓ Remember - only count a dependent's income if that dependent is required to file federal income taxes.
- ✓ Watch out for pregnant women!
- ✓ Watch out for children!
- ✓ Learn your state specific rules.
- ✓ Yes, MAGI is confusing!
- ✓ Consult the Advocate's Guide to MAGI.

# Questions?

## Resources:

NHeLP's *The Advocate's Guide to MAGI*, available at [www.healthlaw.org](http://www.healthlaw.org)

## Contact:

Wayne Turner (NHeLP/DC) at [turner@healthlaw.org](mailto:turner@healthlaw.org)



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