



Income Eligibility Using MAGI Rules

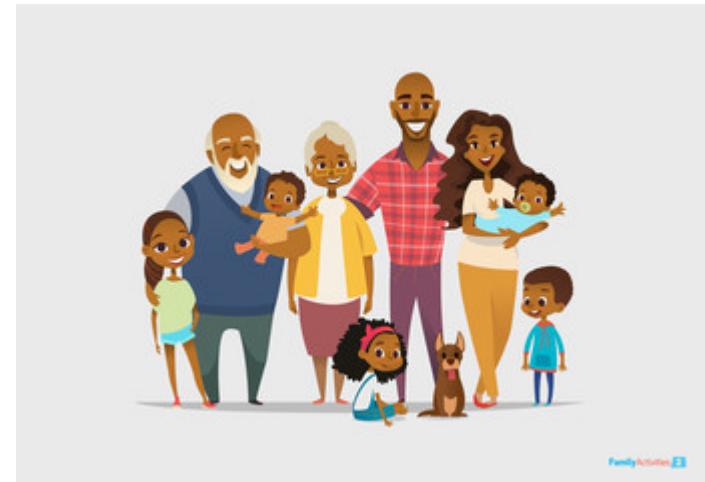


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Agenda

- I. What is modified adjusted gross income (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

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

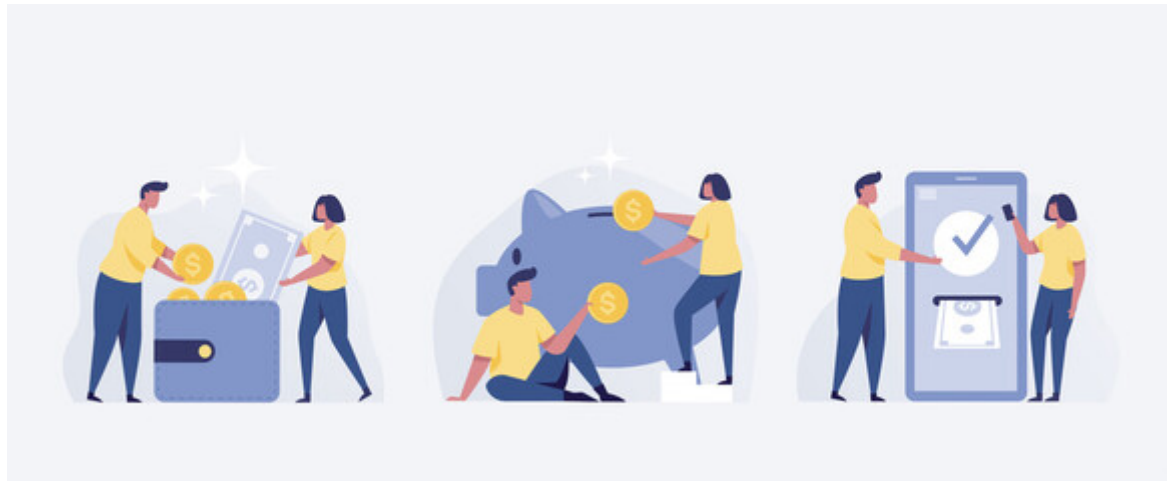


- In 2022 she expects to earn \$2,147 each month from her job, which adds up to \$25,764 for the year. She has no other income or deductions that will affect the MAGI computation.
- The Marketplace will calculate her household income to be about 200 percent of the applicable FPL for a one-person household size.
 - The household income limit for adults in New Hampshire for Medicaid is 138 percent of the 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 does make her eligible for APTC and CSRs, if she meets the other eligibility rules.

II. Whose Income is Counted?

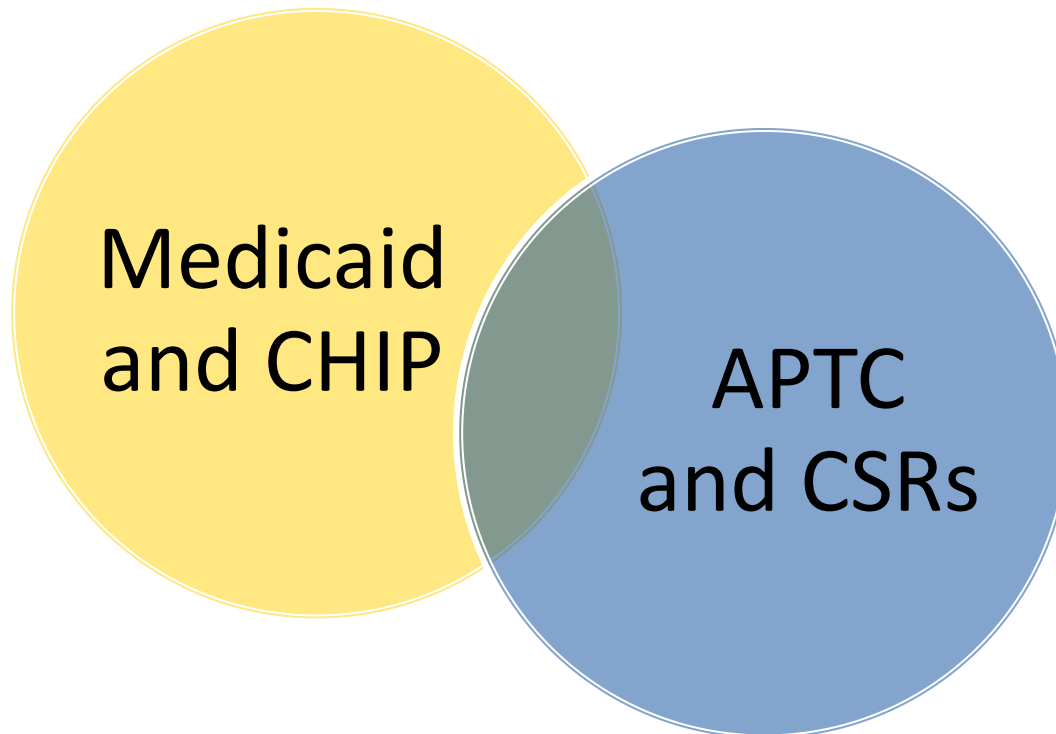
Whose Income Should We Add Up?

- 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 eligible people.
 - The Marketplace will then add together only the income amounts that should count.



Program-specific MAGI Rules

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



Whose Income Counts for APTC/CSRs?

For APTC/CSR eligibility, the MAGI of the tax filer, including both spouses who file a joint return and the MAGI of the tax filer's dependents who are expected to be required to file a tax return because they have income that equals or exceeds the income tax return filing threshold, are counted. The MAGI of these individuals is counted even if they don't need Marketplace coverage:

- Tax filers: Includes the MAGI of both spouses if married filing jointly. In most cases, married couples who receive APTC are 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 for mis-stating your marital status.
 - This will let you (and possibly your dependents) qualify for premium tax credits 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. Refer to [IRS Publication 501, Dependents, Standard Deduction, and Filing Information](#).
- Tax dependents: Include the MAGI of dependents who expect to be required to file their own federal income tax returns because their income meets or exceeds the income tax return filing threshold.

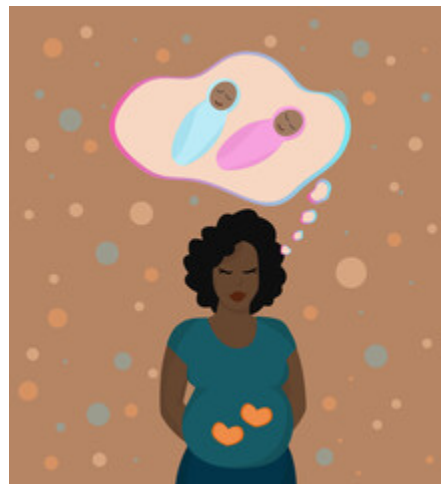
Whose Income Counts for Medicaid and CHIP?

- 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 on someone else's tax return.
 - Tax dependents claimed by a non-parent or by a non-custodial parent.
 - Children living with two parents or step-parents 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, at the state's option, can also be considered children. To learn more about how full-time students are treated, check with your state Medicaid agency: [Medicaid.gov/about-us/contact-us/contact-your-state-questions/index.html](https://www.Medicaid.gov/about-us/contact-us/contact-your-state-questions/index.html).

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 included on the application.

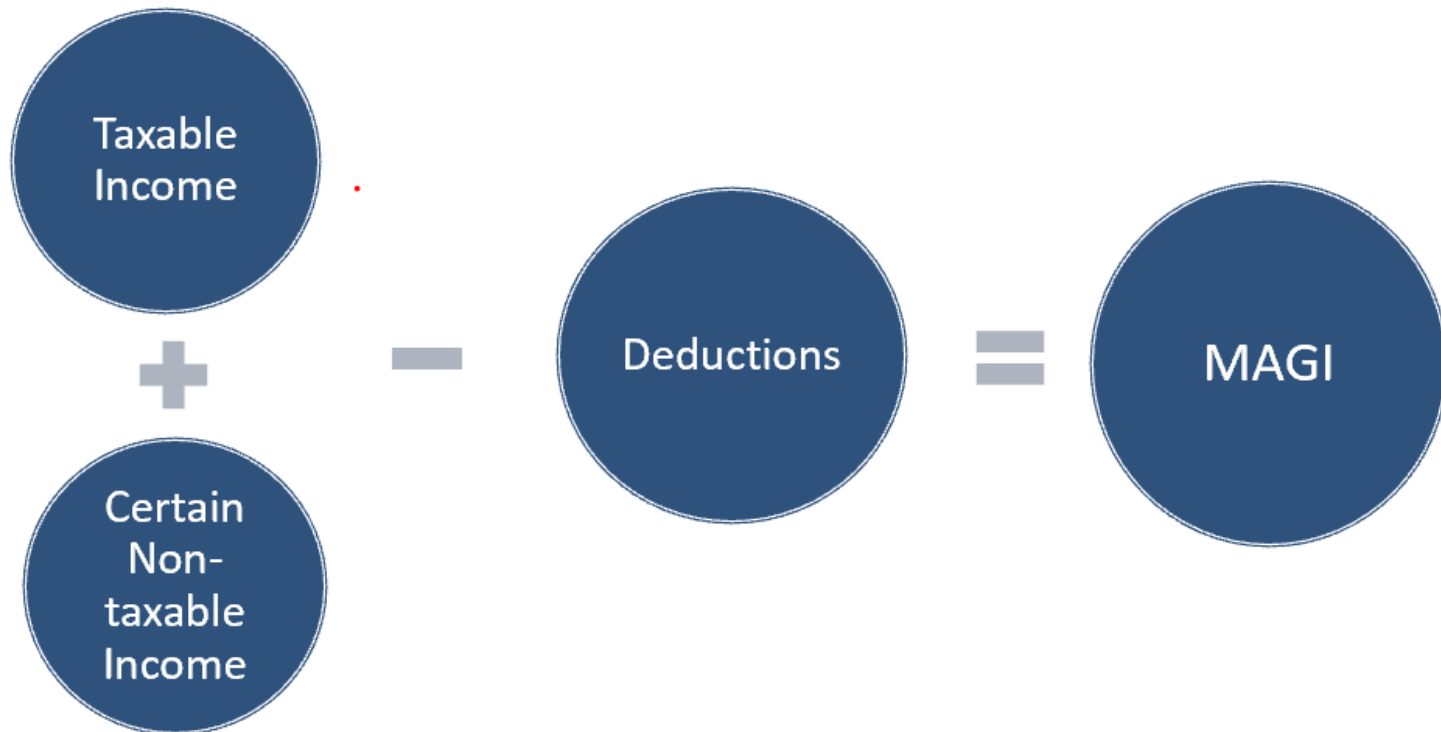


Children and Tax Dependents (Cont.)

- **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.**
- There are three income types (certain scholarship income, certain tribal income, and, in 2020 and 2021, Federal Pandemic Unemployment Compensation) that the Marketplace doesn't count for Medicaid and CHIP eligibility, even when taxable.
 - **Taxable scholarship income and taxable tribal 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.

Taxable Income (Cont.)

➤ **Beginning July 2021, Federal Pandemic Unemployment Compensation (FPUC) should not be included on the application.**



- FPUC authorizes an extra \$300/week unemployment compensation payment through September 6, 2021. This income doesn't count when determining eligibility for Medicaid and CHIP. The treatment of FPUC income for Medicaid and CHIP eligibility is separate from the new APTC and CSR payments available to consumers on July 1.
- In most states, unemployment compensation recipients are no longer receiving the weekly supplemental \$300 payment. Consumers should not include the extra \$300/week when reporting the amount of unemployment compensation they are receiving to the Marketplace. These consumers may also consider applying directly to the state Medicaid or CHIP agency in addition to the Marketplace if they believe they are eligible for Medicaid or CHIP.

Income to Report

Report This Income	Don't Report This Income
<ul style="list-style-type: none">• Wages, salaries, bonuses• Self-employment income• Tips and gratuities• All Social Security retirement and disability income• Unemployment compensation except the extra \$300 weekly you may be getting in federal pandemic unemployment compensation due to the COVID-19 pandemic. The date it ends varies by state.• Rent income• Alimony received (only for divorces or separations finalized before 1/1/2019)	<ul style="list-style-type: none">• Temporary Assistance for Needy Families (TANF) payments• Child support payments• Gifts• Supplemental Security Income (SSI)• Veterans' benefits• Workers' compensation• 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
<p data-bbox="442 468 768 518">Social Security</p> <p data-bbox="278 629 935 1011">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 data-bbox="981 468 1663 582">Supplemental Security Income (SSI)</p> <p data-bbox="981 629 1663 1011">SSI is separate from Social Security, even though they sound alike. It is designed to help persons who are aged, blind, or disabled or who are very low income and have limited assets. SSI is not taxed and does not count towards MAGI.</p>

Non-taxable Income

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

Non-taxable Social Security benefits

- Social Security benefits not included in gross income

Tax-exempt Interest

- Interest income that is not subject to federal income tax

Excluded Foreign Income

- Foreign earned income excluded from taxation of individuals who live abroad

Deductions

- A consumer might also have expenses that reduce their adjusted gross 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.**
- MAGI subtracts only 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.



Deductions (Cont.)

Report These Deductions	Don't Report These Deductions
<ul style="list-style-type: none">• Alimony paid (only for divorces or separations finalized before 1/1/2019)• Student loan interest• IRA contributions (if you don't have a retirement account through a job)• Educator expenses (for teachers who pay for supplies out of pocket)• For 2021, charitable contributions up to \$300 per year, if allowed by IRS rules	<ul style="list-style-type: none">• Child or dependent care expenses• Charitable contributions over \$300 per year• Mortgage interest• Child support payments• Property taxes• Tuition costs• Alimony paid (only for divorces or separations finalized after 1/1/2019)

This is not a complete list. Refer to [IRS Publication 17](#) for more details on deductions.

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 isn'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 their 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 a [calculator tool](#) that can help calculate each household member's annual income.
 - In some states, the projected annual income may be used for Medicaid and CHIP when it is not hard to predict. If you have questions, check with your state Medicaid agency at [Medicaid.gov/about-us/contact-us/contact-your-state-questions/index.html](https://www.Medicaid.gov/about-us/contact-us/contact-your-state-questions/index.html).

IV. Case Examples and Summary

Example #1: 2022 Open Enrollment – 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 \$5,000 bonus.
- Louise receives \$745 each month from Social Security Disability Insurance.
- Leo earned \$3,000 from his summer job as a camp counselor.

What does this family qualify for?



Example #1: 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: How to Enter the Income

- George, Louise, and Leo each enter their income for the month they are completing the application.
 - George doesn't report the \$5,000 bonus yet because he won't get it until the end of the coverage year.
- Then George, Louise, and Leo each enter their **projected annual income**.
 - George disagrees with his calculated yearly income and enters his own estimate of \$29,000.
 - Louise agrees with her calculated yearly income of \$8,940.
 - 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 150 percent of the applicable FPL, based on George and Louise's current month income of \$2,745 (\$2,000+\$745) 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 172 percent of the applicable FPL based on George and Louise's projected annual income of \$37,940 [(\$2,000 x 12) + (\$745 x 12) +\$5,000] and a household size of three.

Example #2: 2022 Open Enrollment – 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 types are the same as in Example 1 and that they also live in Michigan:


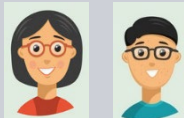
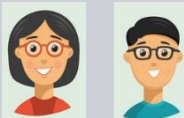



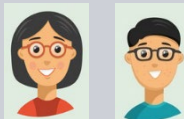
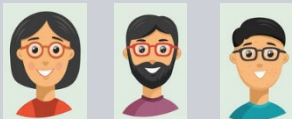
- Karen estimates she makes \$28,000 annually as a paralegal (\$2,000 a month and a \$4,000 bonus at the end of the coverage year).
- Bill makes \$9,000 a year from Social Security Disability Insurance.
- Max makes \$3,000 from coaching tennis, but his income is too low to be included in household income.

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 indicate 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 indicates 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: Whose Income Counts?

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

Example #2: How to Enter 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 161 percent of the FPL based on an annual household income of \$28,000 $[(\$2,000 \times 12) + \$4,000]$ and a household size of two.
 - Bill is eligible for Medicaid because his Medicaid/CHIP household income is 52 percent of the 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 150 percent of the FPL based on his parents' current month household income of \$2,750 $(\$2,000 + \$750)$ and a household size of three.

Summary: The Method for MAGI

- Whose income counts toward the total household income?
 - Tax household 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.
 - Certain deductions called adjustments to income.
 - Some non-taxable income.
 - Both current month income and projected yearly income may impact eligibility.

Resources

- **Marketplace Assister Microlearning:**
 - [Marketplace.cms.gov/technical-assistance-resources/marketplace-assister-microlearning](https://marketplace.cms.gov/technical-assistance-resources/marketplace-assister-microlearning)
- **How to report income:**
 - [Healthcare.gov/income-and-household-information/how-to-report](https://healthcare.gov/income-and-household-information/how-to-report)
 - [Healthcare.gov/income-and-household-information/income](https://healthcare.gov/income-and-household-information/income)
 - [Healthcare.gov/income-calculator](https://healthcare.gov/income-calculator)
- **Household size:**
 - [Healthcare.gov/income-and-household-information/household-size](https://healthcare.gov/income-and-household-information/household-size)

Resources (Cont.)

- **IRS Resources:**

- Income 1040: [IRS.gov/pub/irs-pdf/f1040.pdf](https://www.irs.gov/pub/irs-pdf/f1040.pdf)
- Deduction 1040: [IRS.gov/pub/irs-prior/f1040s1--2018.pdf](https://www.irs.gov/pub/irs-prior/f1040s1--2018.pdf)
- IRS Publications: [IRS.gov/publications](https://www.irs.gov/publications)

- **Federal Poverty Levels:**

- [Aspe.hhs.gov/poverty-guidelines](https://aspe.hhs.gov/poverty-guidelines)

- **COVID-19 Resources:**

- [IRS.gov/coronavirus-tax-relief-and-economic-impact-payments](https://www.irs.gov/coronavirus-tax-relief-and-economic-impact-payments)
- [HealthCare.gov/coronavirus](https://www.healthcare.gov/coronavirus)

- **American Rescue Plan resources:**

- HHS Fact Sheet: [HHS.gov/about/news/2021/03/12/fact-sheet-american-rescue-plan-reduces-health-care-costs-expands-access-insurance-coverage.html](https://www.hhs.gov/about/news/2021/03/12/fact-sheet-american-rescue-plan-reduces-health-care-costs-expands-access-insurance-coverage.html)
- CMS Fact Sheet: [CMS.gov/newsroom/fact-sheets/american-rescue-plan-and-marketplace](https://www.cms.gov/newsroom/fact-sheets/american-rescue-plan-and-marketplace)