

## 2800.10.00 HOUSEHOLD INCOME (MED 3)

For Modified Adjusted Gross Income (“MAGI”) (MED 3) AGs, eligibility is based upon household income, which is the sum of every individual included in the individual’s household (refer to Chapter 3200 for the complete definition of “household”).<sup>i</sup> Household income does not include:

- Income of a child living with his or her natural, adopted, or stepparent and is not required to file a tax return for the taxable year in which Medicaid eligibility is determined whether a tax return is filed; or
- Income of a tax dependent claimed by parents/s with whom they live, where the tax dependent is not required to file a tax return for the taxable year in which Medicaid eligibility is being determined (whether a tax return is filed). Cash support provided by the person claiming a tax dependent who is not a spouse or biological, adopted or stepchild is not counted as income.<sup>2</sup>

MAGI income includes taxable income for the year in which eligibility is being determined. Items which are tax-exempt now, such as payments for disability or retirement programs; but will be taxed later when/if there are disbursements, do not count in the MAGI budget; but when these later disbursements are paid, they will then be something which would be included.

For the most part, MAGI use the same rules used by the Internal Revenue Service (IRS)<sup>3</sup> to calculate the Adjusted Gross Income (AGI). The AGI will include in the description: **This is your Adjusted Gross Income** on the 1040 form. The Internal Revenue Code defines MAGI as adjusted gross income plus any foreign income, tax exempt interest, and non-taxable Social Security benefits. Supplemental Security Income (“SSI”) is excluded under MAGI, but Social Security Disability Income (SSDI) counts in the budget whether it is taxed or not. The following are four exceptions from MAGI for Medicaid eligibility purposes:

- (1) A lump sum amount is counted as income only in the month received.
- (2) Scholarships, awards, or fellowship grants for educational purposes and not for living expenses are excluded from income.
- (3) Parent Mentor Stipend
- (4) Certain American Indian and Alaska Native settlement trusts, distributions, and student financial assistance.<sup>5</sup>

Eligibility based upon MAGI-based income does not include an asset (resources) test and does not include any income or expense disregards except for an amount equivalent to 5 percentage points of the applicable income standard for the family size as set forth in IHCPPM 3465.05.00.<sup>ii</sup> any items that are tax deductible should be deducted from a person’s MAGI-based income.

***Note: if using the tax return to verify income, the Adjusted Gross Income will already have any allowable deductions considered and should not be deducted again.***

Income under MAGI-based methodologies includes, but is not limited to, the following:

- 1) Wages and salaries
- 2) Rents
- 3) Royalties
- 4) Gains from dealings in property
- 5) Taxable interest
- 6) Tax exempt interest
- 7) Dividends
- 8) State income tax refunds
- 9) Alimony received; only for divorce decrees dated on or before 12/31/2018
- 10) Business income
- 11) Capital gains
- 12) Income from life insurance and endowment contracts
- 13) Other gains
- 14) Taxable IRA distributions
- 15) Taxable pensions and annuities
- 16) Distributive share of partnership gross income
- 17) Estate and trust income
- 18) Farm income
- 19) Unemployment compensation
- 20) Taxable Social Security benefits
- 21) Non-taxable Social Security benefits (SSI, however, is excluded)
- 22) Net operating loss
- 23) Gambling earnings

- 24) Cancellation of debt
- 25) Foreign earned income exclusion
- 26) Foreign earned income <sup>iii</sup>

Under MAGI-based methodologies, the following deductions apply:

- 1) Educator expenses.
- 2) Certain business expenses of reservists, performing artists, and fee-basis government officials (vehicle and transportation costs).
- 3) Health savings account deduction.
- 4) Moving expenses (Only applies to active-duty members ordered to move, or change of duty station)
- 5) Deductible part of self-employment tax.
- 6) Self-employed SEP, SIMPLE, and qualified **retirement** plans
- 7) Self-employed health insurance deduction
- 8) Penalty on early withdrawal of savings
- 9) Alimony paid b Recipient's SSN; only for divorce decrees dated on or before 12/31/2018
- 10) IRA deduction
- 11) Student loan interest deduction
- 12) Tuition and fees.
- 13) Domestic production activities deduction

**Note: For additional information on deductible expenses and current deduction limits refer to [www.irs.gov](http://www.irs.gov)**

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## 2895.00.00 FOOTNOTES FOR CHAPTER 2800

1 42 CFR 435.603(d)

2 42 CFR 435.603(d)

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3 42 USC 1396a(e)(14)(B) -(C); 42 CFR 435.603(g)

4 42 CFR 435.603; and IRS Form 1040

5 26 USC 32(c)(2)

6 405 IAC 2-3-3

7 42 CFR 435.603(d)(2)(i)-(ii)

8 IRS Publication 929, Tax Rules for Children and Dependents (2021)

9 IRS Publication 929, Tax Rules for Children and Dependents (2021)

10 IRS Publication 929, Tax Rules for Children and Dependents (2021)

11 20 CFR 416.1102

12 405 IAC 2-3-3; 20 CFR 416.1157

13 P.L. 94-375, Section 2 (h); P.L. 92-213, Section 9; 20 CFR 416.1124 and 1238

14 P.L. 91-646, Section 216; 20 CFR 416.1124

15 P.L. 100-707; 20 CFR 416.1124

16 45 CFR 233.20(a)(1)(II), (MED 2, 3); 405 IAC 2-3-3, (MED 1)

17 45 CFR 233.20; [www.irs.gov/taxtopics/tc607.html](http://www.irs.gov/taxtopics/tc607.html)

18 45 CFR 233.20

19 SSA 1902(f)

20 SSA 1619

21 SSA 402(a)(22); 45 CFR 233.20

22 P.L. 88-525, Section 7(c); 20 CFR 416.1124(b)

23 P.L. 89-642, Section 11(b); 20 CFR 416.1124(b)

24 P.L. 90-302, Section 13(h); 20 CFR 416.1124(b)

25 P.L. 92-258, Section 709; 20 CFR 416.1124(b)

26 26 USC 36B(d)(2)(B)

27 P.L. 104-204