



# **Modified Adjusted Gross Income (MAGI) Part II – Household Composition**

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# Housekeeping

- Please share your questions!
  - Ask a question using the webinar chat feature
  - Yes, we will make the slides and materials available

# What we will cover

## This week:

- How to determine MAGI household size
  - Marketplace
  - Medicaid
- Exceptions and special rules for Medicaid MAGI

# Why household size matters

- **Household composition** = identifying individuals who are members of the household
- **Household size** = sum total of individuals in the household
- Eligibility for Insurance Affordability Programs is based upon the household income as a percentage of the Federal Poverty Level (FPL) for a household of that size
- 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!**

# General principles

- **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

# Marketplace household = tax filer(s) + dependents

1. Who is seeking an eligibility determination?
2. Does this person expect to file federal income taxes?
3. Is this person married and filing jointly?
4. Does this person expect to claim dependents or be claimed as a dependent by another tax filer?
5. Are the tax filer(s) and dependent(s) lawfully present?

# 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
- Spouses filing jointly are both considered tax filers
  - One spouse cannot claim another as a dependent
- Some individuals may file a federal income tax return but be claimed by someone else as a dependent
  - e.g., a child with a summer job who files to get a refund

# 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
  - If you claim the personal exemption for yourself, you cannot be claimed as a dependent by someone else

# 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

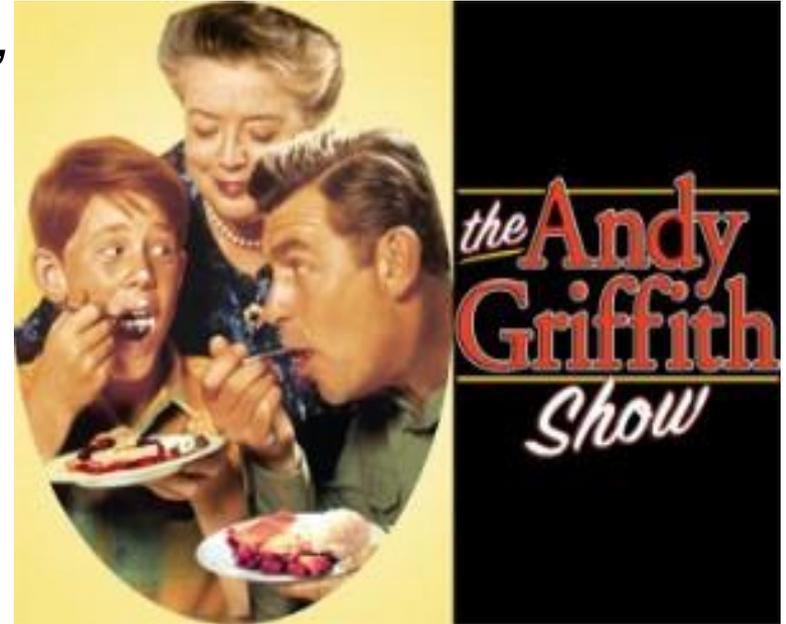


# Review: the Marketplace household

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

## 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...

- Individuals who do not expect to file federal income taxes or be claimed as a dependent (aka non-filers/non-dependents)
  - Separate rules apply to determine their Medicaid household
- Pregnant women – three sets of rules on how to count them!
- Same sex married couples
  - Medicaid programs do not have to recognize their marriages
- Married couples who live together, but file taxes separately
  - Under Medicaid rules they are in the same household

# Two big Medicaid exceptions for dependents:

- Child claimed by only one parent when:
    - Both parents live together, or
    - The child is claimed by the non-custodial parent
  - Dependent relatives (other than spouse or child of the tax filer)
- **For these, apply the separate Medicaid rules for non-filers/non-dependents**

# Rules for non-filers/non-dependents

(these also apply to the 2 big 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)**

# 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 who live together but file separately
  - Pregnant women
  - Same sex married couples

## Example #2 – 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 #3 – 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 #3 – 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.



# ***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 #4 – 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 #4 – 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 #5 – 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 #5 – 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 the spouse nor the 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 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 a Medicaid eligibility determination, states can opt to count her as one person, two people, or one person plus the number of children expected

## Example #6 – pregnant woman seeking eligibility determination

Jennifer is pregnant and expecting twins. She lives in Wheeling, WV with her husband Marc. They file a joint federal income tax return, and claim no dependents.

Jennifer's Marketplace household is two (Jennifer and Marc)

Jennifer's Medicaid household is four (Jennifer, two children expected to deliver, and Marc)



## Example #7 – pregnant woman in the household of someone else seeking an eligibility determination

*Jennifer is pregnant and expecting twins. She lives in Wheeling, WV with her husband Marc. They file a joint federal income tax return, and claim no dependents.*

*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 Marc's household?**



## Example #7 – pregnant woman in the household of someone else seeking an eligibility determination

*Jennifer is pregnant and expecting twins. She lives in Wheeling, WV with her husband Marc. They file a joint federal income tax return and claim no dependents.*

*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.*



Marc's Marketplace household is two (Jennifer and Marc)

Marc's Medicaid household is two (Jennifer and Marc)

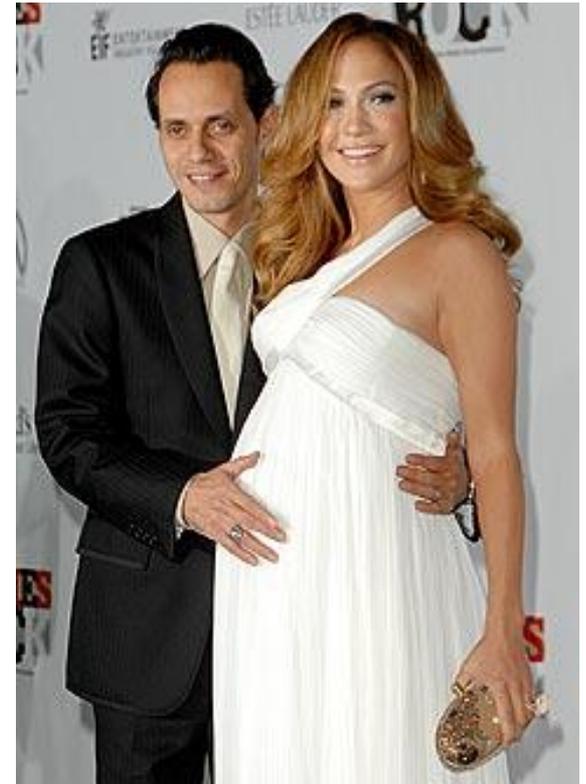
## Example #8– pregnant woman in the household of someone else seeking an eligibility determination

*Jennifer is pregnant and expecting twins. She lives in Akron, OH with her husband Marc. They file a joint federal income tax return and claim no dependents.*

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

Marc's Marketplace household is two  
(Jennifer and Marc)

Marc's Medicaid household is four  
(Jennifer, two children expected to deliver, and Marc)



# Method for MAGI Madness

1. Who is in the Marketplace household?
  2. Who is in the Medicaid household?
  3. What is the income for each household member?
  4. What income counts toward the total household income?
  5. Do any of the Medicaid income exclusions apply?
- 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:

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