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## MAGI: When to Count Dependent's Social Security Income

The Affordable Care Act introduced Modified Adjusted Gross Income - or MAGI - to determine financial eligibility for health care programs like Medicaid, the Children's Health Insurance Program (CHIP), as well as Premium Tax Credits (PTCs) and Cost Sharing Reductions (CSRs) to help pay for marketplace coverage. The total household MAGI for each individual determines if that person is financially eligible for assistance.

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The "M" in MAGI modifies "Adjusted Gross Income" by adding the non-taxable portion of Social Security income to the taxable portion. However, whether to include the Social Security income of dependents in household MAGI has been a major source of confusion.

**For tax filers**, Social Security income will always be included as part of total household income.

**For tax dependents**, Social Security income will be included *only if* the dependent is required to file a federal income tax return.

### Here's how it works:

To determine the total household MAGI of someone seeking health coverage, start by identifying who is in that person's household. Then, determine whether each household member is required to file federal income taxes. The MAGI for each household member required to file a federal income tax return gets counted toward the total household MAGI.

### HOW IS THE TAX FILING REQUIREMENT DETERMINED?

Total household MAGI does not count the income of a child or other dependent if she is not required to file a tax return.

For most dependents, the minimum filing requirements for tax year 2017 are as follows (these amounts are published in IRS Publication [501](#) and [929](#) and may be adjusted annually):

- unearned income (e.g., interest, dividends) of more than \$1,050;
- earned income (e.g., wages, tips) of more than \$12,000; or
- gross income (all income in the form of money, goods, property, and services that is not exempt from tax) is more than the larger of either:
  - \$1,050 or
  - earned income (up to \$12,000) plus \$350.

Social Security income, such as survivor's benefits, is considered unearned income, but separate Internal Revenue Service rules govern whether it should be counted toward the tax filing threshold. In general, a single individual's Social Security income is taxable *only if* half the Social Security income, plus other income, exceeds \$25,000. Since \$25,000 is a high income threshold to meet for someone claimed as a dependent, a dependent's Social Security income will usually not be taxable and therefore not counted toward the tax filing threshold or included in the household's MAGI.

### SOCIAL SECURITY VS. SUPPLEMENTAL SECURITY

**Social Security** income is provided under Title II of the Social Security Act (SSA) and includes Social Security Disability Insurance (SSDI), retirement income, and survivor's benefits. These forms of income could be subject to federal income tax.

**Supplemental Security Income** (SSI) is provided under Title XVI of the SSA. It is designed to help persons who are aged, blind, or disabled, who are very low income and have limited assets. SSI is not taxed and does not count towards MAGI.

**TIP:** If a dependent's only income is Social Security income, in most cases that dependent is not required to file a federal income tax return and the Social Security income is not included as part of

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Here are some questions to ask to see if a dependent's

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Social Security income should count toward total household MAGI. However, these are only general rules. Consumers should review [IRS Publication 501](#) or consult with a tax preparer to determine if a dependent is required to file federal income taxes.

Is the dependent required to file federal income taxes?

1. Is earned income (salary, wages, tips) over \$12,000 annually?
  - a. If yes, the dependent must file federal income taxes and her Social Security income counts toward total household MAGI.
  - b. If no, the dependent might need to file federal income taxes.
2. Is the dependent's unearned income (taxable interest, ordinary dividends, and capital gain distribution) over \$1,050?
  - a. If yes, the dependent must file federal income taxes and her Social Security income counts toward total household MAGI.
  - b. If no, the dependent might still need to file federal income taxes.
3. Is the dependent's only income Social Security income?
  - a. If yes, the dependent likely does not need to file federal income taxes and her Social Security income will not count toward total household MAGI.
  - b. If no, the dependent has Social Security plus other income, the dependent might need to file federal income taxes.
4. Does one half of the dependent's Social Security income, plus all other income, exceed \$25,000?
  - a. If yes, the dependent must file federal income taxes and her Social Security income will count toward total household MAGI.
  - b. If no, the dependent does NOT need to file federal income taxes and her Social Security income will not count toward total household MAGI.

If a dependent is NOT required to file taxes, then her non-taxable Social Security income is NOT included in her household MAGI. If a dependent is required to file taxes, then all of the dependent's income, including non-taxable Social Security income, will be included in her household MAGI.

Here are three scenarios to explain how this works:

**Example #1:** A dependent receives \$600 per month in Social Security benefits (\$7,200 per year) and has no other income. His Social Security income is not taxable and does not count toward the \$1,050 unearned income threshold. The dependent is not required to file federal income taxes because he does not meet the tax-filing threshold. Therefore none of his income would be included in the taxpayer's household income under the MAGI rules.

**Example #2:** A dependent receives \$600 per month in Social Security benefits (\$7,200 per year) and has a summer job that paid \$13,000. The dependent is required to file federal income taxes because her earned income exceeds the filing threshold amount (more than \$12,000 in earned income). Therefore her Social Security income will be added to the total household MAGI, even though she does not have to pay taxes on the Social Security income.

**Example #3:** A dependent receives \$600 a month in Social Security benefits (\$7,200 per year) and \$22,000 annually from a job. The earned income of \$22,000 plus half of the Social Security income (\$3,600) is \$25,600. The dependent is required to file a federal income return and [pay taxes on part of the Social Security income](#). The entire amount of Social Security income (\$7,200) will be added to the MAGI income of the dependent for a total MAGI of \$29,200, which will be included as part of the total household MAGI.

## MORE INFORMATION AND RESOURCES

[MAGI: Modified Adjusted Gross Income](#), In the Loop Fact Sheet

[Advocate's Guide to MAGI](#), National Health Law Program

[Publication 501 \(2016\)](#): Exemptions, Standard Deduction, and Filing Information,

[Internal Revenue Service Publication 915 \(2016\)](#): Social Security and Equivalent Railroad Retirement Benefits, Internal Revenue Service

[IRS Publication 929 \(2016\)](#): Tax Rules for Children and Dependents

[Getting MAGI Right: When Does Social Security Income Count?](#), Georgetown Center for Children and Families

[Getting MAGI Right: A Primer on Differences that Apply to Medicaid and CHIP](#), Georgetown Center for Children and Families