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MAGI: Modified Adjusted Gross Income

The Affordable Care Act introduced Modified Adjusted Gross Income or MAGI as a new way of calculating income eligibility for health coverage through the state and federal marketplaces, as well as for the Children’s Health Insurance Program (CHIP) and many Medicaid categories. MAGI has two components that must be considered: (1) who is in the household and household size, and (2) what is the household income.

MAGI applies one methodology to determine eligibility across multiple programs, replacing the myriad of income counting rules, disregards, asset tests, and household composition rules that previously existed for many Medicaid eligibility categories. MAGI eligibility is based upon household income as a percentage of the Federal Poverty Level (FPL) for that household’s size.

TO WHOM DOES MAGI APPLY?

MAGI is used to determine eligibility for Advanced Premium Tax Credits (APTCs) and Cost-Sharing Reductions (CSRs) for individuals purchasing coverage through the marketplace. MAGI also applies to CHIP and many Medicaid categories. The following chart outlines a partial list of the major Medicaid and CHIP categories that use and do not use MAGI:

| Medicaid/CHIP | |
|---|--|
| <i>For a complete list of MAGI applicability for Medicaid, please see National Health Law Program’s Advocate’s Guide to MAGI (Sec. II).</i> | |
| MAGI | Non-MAGI |
| Childless adults between the ages of 19-64 | Individuals who are aged, blind, or disabled |
| Pregnant women | Long-term care |
| Children up to age 19 (or 21 if a full-time student, at state option) | Medically needy/Spend down |
| Parent/Caretaker relatives | Foster care (in most cases) |
| | Subsidy programs for consumers dually eligible for Medicaid and Medicare (e.g., Qualified Medicare Beneficiaries, Specified Low-Income Beneficiaries, Qualifying Individuals) |
| | Individuals eligible for other income-based programs granted Express Lane Eligibility for Medicaid (e.g., SNAP (Supplemental Nutrition Assistance Program) or TANF (Temporary Assistance for Needy Families) recipients) |

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WHAT INCOME GETS COUNTED IN MAGI?

MAGI is based on the income reported on a consumer's federal income tax return. To count the income for MAGI, two steps are required:

- First, identify the consumer's adjusted gross income, which is the amount listed on Line 37 of IRS Form 1040 (or Line 4 of the IRS Form 1040 EZ) used to file federal income taxes.
- Second, add to adjusted gross income the following: non-taxable portion of Social Security income, excluded foreign income, and tax exempt interest to get the total *Modified Adjusted Gross Income* or MAGI.

Note: for Medicaid determinations, an additional step is required to exclude certain types of scholarship income and American Indian income.

| Selected Income and Adjustments Included in MAGI | |
|--|---|
| Type of Income Counted | Type of Income Not Counted |
| Wages, salaries, tips (earned income) | Child support received |
| Interest and dividends | Supplemental Security Income (SSI) |
| State income tax refunds | Workers' compensation payments |
| Alimony received | Alimony paid |
| Profit or loss from self-employment (Schedule C) | Gifts/Inheritances |
| Rental income | Veteran's benefits (service-related disability) |
| Unemployment compensation | Student loans and some scholarship income (broader exclusion for Medicaid determinations) |
| Social Security benefits (taxable + nontaxable) | Some non-taxable American Indian income (excluded for Medicaid determinations only) |

WHOSE INCOME COUNTS?

An individual's income will only be counted toward the total household income if the individual is required to file a federal income tax return. Who must file a federal income tax return is based upon age, filing status, and income amounts that change every year.

The income of a child or other dependent is not counted if she is not required to file a tax return. For most dependents, the minimums for filing requirements (2013) are as follows:

- unearned income (e.g., public benefits, interest, dividends) of more than \$1,000;
- earned income (e.g., wages, tips) of more than \$6,100; or
- for people who have both earned and unearned income, gross income of more than the larger of either:
 - \$1,000, or
 - earned income (up to \$5,750) plus \$350.

EXAMPLE:

If your child earns \$6,000 from a summer job or other employment throughout the year, that does *not* count toward the household income because the child is *not required* to file a tax return.

If your child earns \$6,200, that income will count toward the household income because the child *is required* to file a tax return.

Sometimes individuals will file a federal income tax return even if not required to do so—to receive a refund where taxes were withheld, for example. Remember, income will only count toward the total household income for MAGI if the individual is *required to file* a federal income tax return.

HOW DO YOU CALCULATE THE HOUSEHOLD SIZE?

Some differences exist in the rules for calculating who is in a household for marketplace and Medicaid determinations. Therefore, it is best to calculate both the marketplace and the Medicaid household for each individual seeking an eligibility determination. The marketplace application is designed to gather relevant information for both calculations.

WHO IS INCLUDED IN A MARKETPLACE HOUSEHOLD?

The marketplace household is based upon the tax household, consisting of the tax filer(s) plus any dependents. Married couples filing jointly are both considered tax filers (and must file jointly in most cases to be eligible for APTCs/CSRs). The marketplace household will be the same for each member of the household.

WHO IS INCLUDED IN A MEDICAID HOUSEHOLD?

Generally, the Medicaid household will be the same as the marketplace household, consisting of the tax filer(s) plus any dependents. However, for individuals and families who do

not file federal income taxes or who are not claimed as dependents, Medicaid has special rules to calculate the household composition.

The Medicaid rules (listed in the chart below) for non-filers and non-dependents also apply when a child is claimed as a dependent by only one parent and when a dependent is neither the child nor the spouse of the tax filer(s).

Medicaid Rules for Non-Filers/Non-Dependents

(also applies to dependent relatives and child claimed by one parent)

For adults, the Medicaid household consists of:

- the individual;
- the individual's spouse (if living with the individual); and
- 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); and
- the child's children,* (if living with the child).

*Child means under age 19, or under 21 for full-time students (at state option); this applies to the child's siblings too.

A child can be natural/biological, adopted, or step child.

WHAT OTHER RULES DETERMINE THE MEDICAID HOUSEHOLD?

Variations on the rules to determine the Medicaid household exist in some circumstances. For example, married couples who live together are counted in the same Medicaid household regardless of whether they file federal income taxes jointly or separately.

Also, a pregnant woman is counted as one plus the number of children expected to deliver when she seeks an eligibility determination under Medicaid. At state option, a pregnant woman can be counted as a household of one, two, or one plus the number of children expected to deliver (for example, 3 if she is expecting twins: the mother plus two expected children) when she is in the household of someone seeking an eligibility determination under Medicaid.

MORE INFORMATION AND RESOURCES ABOUT MAGI:

[MAGI and Marketplace Eligibility: When to Count Dependents' Social Security Income, *In the Loop* Fact Sheet](#)

[Eligibility: What Definition of Child Applies?, *In the Loop* Fact Sheet](#)

[Advocate's Guide to MAGI, National Health Law Program Publication 501 \(2013\): Exemptions, Standard Deduction, and Filing Information, Internal Revenue Service](#)