

Modified Adjusted Gross Income

Affordable Care Act Basics: Part 5 of 8



Introduction

A consumer's modified adjusted gross income (MAGI) is used to determine eligibility for the premium tax credit (PTC), cost-sharing reductions (CSR), and Medicaid programs.

Main Topics

- Income types
- Adjustments to income
- MAGI and Medicaid
- MAGI and social security benefits
- Use of non-MAGI rules
- Non-MAGI groups

Income Types

- Modified adjusted gross income (MAGI) is the figure used to calculate a household's income for determining eligibility for:
 - Premium tax credits (PTC) and other savings for Marketplace health plans; and
 - Medicaid.

Income Types (Continued)



- Generally, MAGI is a tax household's adjusted gross income (AGI) for all household members required to file a U.S. Individual Income Tax Return (Form 1040) plus (if applicable):
 - Untaxed foreign income of individuals living abroad;
 - Non-taxable Social Security benefits (including tier 1 railroad retirement benefits); and
 - Tax-exempt interest.

Note: AGI is gross income minus adjustments to income, such as educator expenses, student loan interest, or alimony payments.

What Counts as Income

- Job
- Self-employment
- Social Security benefits
- Unemployment
- Retirement
- Pension
- Capital gains
- Investment income
- Rental or royalty income
- Farming or fishing income
- Alimony received
 - **Depends:** Divorces and separations finalized before January 1, 2019
- Taxable scholarships, awards, or fellowship grants used for education purposes
- Other taxable income such as prizes, gambling winnings, etc.

What does not Count as Income



- Gifts (except in some instances for Medicaid – consumers should contact New Mexico Health Care Authority (HCA) for more information)
- Supplemental Security Income (SSI)
- Veterans' disability payments
- Workers' compensation
- Proceeds from loans like student, home equity, or bank loan
- Child Support
- Alimony
 - **Depends:** Divorces and separations finalized on or after January 1, 2019
- See [IRS.gov](https://www.irs.gov) for additional information or to speak with a tax professional.

Income Types: Self-Employment



- Net self-employment income is used for MAGI (income minus allowable deductions).
 - Consumers are considered self-employed if they have a business that takes in income but does not have any other employees.
 - “Net” income is self-employment income minus expenses.
- Most applicants will be determined for Insurance Affordability Programs using MAGI. MAGI eligibility is based on income. A consumer’s assets (e.g., real estate or vehicle ownership) are not taken into consideration.
- Examples of business expenses that might be deductible include:
 - Rent
 - Depreciation
 - Advertising expenses
 - Office supplies
 - Telephone and utilities
 - Business mileage and transportation expenses

Income Types: MAGI and Federal Income Tax Return



- MAGI does not appear as a line on a federal tax return, though it may be helpful for consumers to have their previous year's tax return with them when they fill out the application because:
 - Income claimed on a federal income tax return from a previous year may help a consumer estimate their household's MAGI.
 - Both BeWell applications and tax returns should have similar information about a consumer's household size.

Income Types: Native Americans



- Certain income received by members of federally-recognized tribes is non-taxable and not used in MAGI to determine eligibility for insurance affordability programs, including Medicaid and financial help, such as PTC or CSR. The following categories of income are generally excluded from MAGI:
 - Distributions from claim corporations and settlement trusts.
 - Distributions from trust/reservation property.
 - Income from property and rights related to hunting, fishing, and natural resources.
 - Income from the sale and use of cultural/subsistence property.
 - Student financial aid from the Bureau of Indian Affairs or a Tribe.
 - Income from IRS General Welfare Doctrine (need-based, not per capita-based).
- **Note:** Gaming per capita payments are taxable and are included in MAGI. Consumers with questions about these or other types of income should consult a tax professional.

Adjustments to Income

- Examples of income adjustments based on tax rules include:
 - Capital losses;
 - Contributions to a traditional Individual Retirement Account (IRA) or Roth IRA retirement account; and
 - Health Savings Account (HSA) contributions.
- **Note:** Consumers should report any income updates or changes (expenses, deductions, or additional sources) through their online BeWell account.

MAGI and Medicaid

- State Medicaid agencies calculate MAGI using monthly income and the current year's Federal Poverty Level (FPL), while Marketplaces use annual income and the previous year's FPL.
- Medicaid eligibility is based on the prior or current month's income ("point in time").
 - If a consumer reports a change in income that results in losing eligibility for Medicaid, the consumer can report this to BeWell, complete an eligibility determination, and enroll in coverage (with or without the PTC) on the first day of the following month.

MAGI and Medicaid (Continued)



Sometimes a consumer's household includes people they live with who are not in their tax household, such as parents, siblings, and children. Marketplace and Medicaid applications will ask for the information needed to determine household size for consumers.

MAGI and Social Security Benefits



- Some Social Security recipients may not know the 'type' of benefit they are receiving. The Social Security Administration (SSA) sends benefit statements annually. Some people will collect both SSI and Social Security benefits.
- SSI is not the same as Social Security and is not included in MAGI. SSI is a benefit paid by the SSA for people with very limited income and resources.
- Social Security recipients' benefits (including retirement, survivors' benefits, and disability) are added back into the AGI amount to reach MAGI. However, SSI is exempted and is not added to MAGI.

MAGI and Social Security Benefits (Continued)



- In some cases, SSI is not taxable and some households that rely only on SSI are not required to file taxes. However, to benefit from tax credits to help pay for health insurance, Social Security recipients must file taxes for the year in which they receive the PTC, and their income will be used to calculate their tax credit.
- The total Social Security amounts must be counted for MAGI.
- If the consumer has any concerns/questions regarding how to count/disregard complex income, they should seek professional tax assistance.
- Filing taxes does not mean that the consumer will be taxed on non-taxable Social Security benefits.

Non-MAGI Groups

- “Non-MAGI” pathways are based on elderly age and disability factors. They do not use the MAGI financial methodology that applies to pathways for other groups who receive Medicaid (i.e., pregnant people, parents, children, and adults with low incomes).
- In addition to considering elderly age/disability status and income, many non-MAGI pathways also have asset limits.

Non-MAGI Groups (Continued)



- Non-MAGI Groups includes (but is not limited to):
 - People over age 65;
 - People who are blind or disabled;
 - Individuals over age 65 at or below 100% FPL;
 - Individuals in institutions;
 - Individuals eligible for the Medicare Savings Program (MSP);
 - People needing help with self care or Long-Term Care; and
 - People eligible for SSI – this special program is for people with little to no income and is different than Social Security benefits.

Use of Non-MAGI Rules

- Sometimes, a non-MAGI program eligibility determination can take extra time to complete by HCA. Consumers who are waiting for a full determination of eligibility from their county can receive the PTC/CSR while their determination is pending but need to report their updated eligibility as soon as they receive it.
 - HCA has up to 90 days for non-MAGI eligibility determinations.
- Federal rules mandate a few groups of people to be determined for Medicaid eligibility based on Non-MAGI income and asset tests.

Key Points

- When assessing consumers' eligibility for the PTC, CSR, and most categories of Medicaid, Marketplaces, and state Medicaid agencies determine a household's income using MAGI.
- Some types of income contribute to a consumer's MAGI; Assistors should be familiar with these different types of income.
- State Medicaid agencies calculate MAGI using monthly income, while Marketplaces use annual income.



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