

**EXCEPTION:** Income of children, or other tax dependents, who are not expected to be required to file an income tax return is not counted, whether or not the individual actually files a tax return.

**NOTE:** A reasonable determination as to whether an individual will be required to file a tax return can be made based on the individual's current income for the applicable budget period. Such a determination would be based on information available at the time of application or renewal. Information regarding "Who Must File" a tax return can be found in IRS Publication 501.

**EXAMPLE:** A child is 17 years old with a part-time job in the summer and earns \$2,100 annually. He is expected to be claimed as a dependent on his parent's tax return. It is determined at application that the child is not expected to be required to file taxes the following year because his income does not exceed the filing requirements established by the IRS. Therefore, the child's income will NOT be included in the MAGI household nor count toward eligibility whether he actually files taxes or not.

**EXAMPLE:** A child is 18 years old and works part-time through the summer and after school. He earns \$7,200 for the year. It is determined at application that he is expected to be claimed as a dependent on his parent's tax return, and will be required to file an income tax return for the year in which Medicaid is being sought. Therefore, this child's income WILL be included for determining eligibility for any MAGI household for which he is a member.

**EXAMPLE:** Hope is 60 years old and lives with her 40-year-old daughter. Hope will be claimed as a tax dependent on her daughter's taxes next year. Hope receives \$960 Social Security income per month, she has no other income. Because Hope has no other income, her SS income is not taxable and she is not required to file taxes. As her daughter's tax dependent, her income does not count toward her daughter's MAGI household. Hope is also applying for health coverage. Her MAGI household will include only herself using non-filer rules in STEP 3 below. Because Hope is neither a child nor a tax dependent in her own MAGI household, her income will count toward determining her MAGI eligibility.

#### D. CALCULATING MAGI

To calculate the MAGI determine the AGI (Adjusted Gross Income) figure for each member of the MAGI household whose income will count, for the current month. When applicable, the worker will use the budgeting method established in Section 10.6, part B, titled "Budgeting Method", to anticipate future income amounts, consider past income sources, and build monthly income amounts based upon the applicant's reported income.

To calculate AGI, the worker must add all of the individual's income from any of the income sources listed in Section 10.3, Chart 2.

2. Adjustments to AGI:

The following items, which can be deducted from taxes, are subtracted from the individuals AGI.

- a. Educator expenses
- b. Certain business expenses of reservists, performing artists, and fee-basis government officials
- c. Health savings account deduction
- d. Moving expenses
- e. Deductible part of self-employment tax
- f. Self-employed SEP, SIMPLE, and qualified plans
- g. Self-employed health insurance deduction
- h. Penalty on early withdrawal of savings
- i. Alimony paid
- j. IRA deduction
- k. Student loan interest deduction
- l. Tuition and fees

3. Required Additions to AGI:

To complete the calculation of MAGI for the individual, add the following income sources that may or may not be considered taxable by the Internal Revenue Service (IRS):

- a. Foreign earned income and housing cost as defined in 26 USC §911
- b. Any interest received that would normally be excluded from taxes