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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.

A marketplace household will be the same for all members of the household, but the Medicaid household may vary for each individual.

(Updated August 2018)

TO WHOM DOES MAGI APPLY?

MAGI is used to determine financial 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 chart to the right 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</i>	
MAGI	Non-MAGI
Childless adults between the ages of 19 and 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 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 certain income received by Alaska Natives and American Indians.

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
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. The income requirement for who must file a federal income tax return changed under the tax reform law passed by Congress at the end of 2017. Under the new standard in effect for 2018, a single dependent under age 65 will be required to file if earned income is greater than \$12,000, compared to \$6,350 in 2017. A dependent also must file if unearned income exceeds \$1,050 (unchanged by the new law), or if gross income is higher than some combination of earned and unearned income.

Note that with this higher filing threshold, the income of dependents that previously counted toward total household income will now be excluded, thus lowering total household income. One result of the tax reform law is that more households will likely qualify for Medicaid or more generous APTCs/CSRs.

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

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 \$12,000, that income will count toward the household income because the child is required to file a tax return.

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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 calculated based upon the tax household by applying the tax-filer rules. Under tax-filer rules, the tax household consists of the tax filer(s) plus any dependents. The household of the tax dependent will be the same as the household of the tax filer. 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.

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 for herself. If a pregnant woman is in the household of someone else seeking a Medicaid eligibility determination, states can count the pregnant woman as one person, two people, or one plus the number of children expected to deliver (for example, 3 if she is expecting twins: the mother plus two expected children).

Medicaid Rules for Non-Filers/Non-Dependents

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

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.

ADDITIONAL RESOURCES:

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

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

[Advocate's Guide to MAGI](#), National Health Law Program
[Publication 501 \(2016\): Exemptions, Standard Deduction, and Filing Information](#), Internal Revenue Service