

# Washington Apple Health (Medicaid)

# **Guide to MAGI Methodology**

## Income of Tax Dependents and Children Age 18 and Younger

For federal tax purposes, the Internal Revenue Service (IRS) only requires individuals to report income of tax dependents on their taxes if it meets or exceeds yearly threshold amounts.

This amount is also different depending if the income is earned or unearned income. For example the tax filing threshold requirements for earned income is much higher than unearned income. This amount may change each tax year.

For the most up to date tax filing threshold amounts, it is best to find the most recent IRS publication at: <a href="https://www.irs.gov">www.irs.gov</a> or to consult a tax professional.

## **How Does this Affect Apple Health Eligibility?**

Income of tax dependents and children age 18 and younger is only counted towards Washington Apple Health (Medicaid) eligibility when it meets or exceeds the tax filing threshold requirements as shown in the chart below. This rule applies regardless of whether the individual actually files a tax return or not.

If the income does meet or exceed the threshold, it is only counted in the medical assistance units that includes the child or tax dependent.

Tax Filing Threshold Limits	
Income Type	Yearly Limit
Unearned Income	\$1,050
Earned Income	\$6,300
Both Earned/Unearned Income	The larger of \$1,050 or earned (up to \$5,950) plus \$350

# Social Security Income

Social Security income is an exception and is not counted for tax dependents or children age 18 or younger for Apple Health eligibility. The tax filing threshold for Social Security income is very high and would never affect these individuals.

## **Applying for Coverage through Washington Healthplanfinder**

When applying for coverage, Washington Healthplanfinder asks that individuals only report income of a tax dependent or children age 18 or younger if it meets or exceeds the tax filing threshold (excluding Social Security benefits).

Typically, individuals are asked to report their current income when applying for coverage, however, they should think differently about entering the income of their tax dependents and children age 18 and younger. They should estimate their anticipated income for the calendar year and determine if it will meet or exceed the threshold or not. If it does not meet or exceed the threshold, or it is Social Security income, this income should not be reported. Income of tax dependents and children age 18 and younger that exceeds the threshold should be reported.

**Important:** If income is reported in Washington Healthplanfinder, it will be counted.

The best way to understand this concept is to take a look at some real life examples.

Examples	
Example 1	Tax Dependent Income
Example 2	Non-Filer Household
Example 3	Child Claimed By Grandparent
Example 4	Anticipated Income of Dependent Exceeds Threshold

<sup>\*</sup>Please note, in these examples, only income is taken into consideration as we assume that all other factors of eligibility are satisfied including citizenship/immigration status, residency, etc.

# **Example 1: Tax Dependent Income**

In December, Ronald is applying for coverage for himself and his 18 year old tax dependent Zoe, a full-time student. Ronald applies as head of household. He has lost his job and is receiving \$200 per week in unemployment benefits. Zoe is working a seasonal job during the holidays to help make ends meet. This is her first job this year. She is going to make roughly \$600 over the course of the holidays.

#### Applying for coverage in Washington Healthplanfinder

Ronald anticipates that Zoe's total income for the year is \$600. Because this amount is below the tax filing threshold, he does not enter her income into Washington Healthplanfinder, even though she is currently working. He answers "No" to the question that asks anyone in his household is currently employed.

Are you or someone in your household currently employed not including YES NO any self-employment? (see question below for self-employment) \*

Ronald will answer "Yes" to the question that he is receiving unemployment benefits.



On the following page in Washington Healthplanfinder, he will be prompted to enter the in the amount he is currently receiving in unemployment benefits.



Behind the scenes, Washington Healthplanfinder calculates the income for the household and determines both Ronald and Zoe are eligible for Apple Health coverage.



#### **Eligibility Service Determination**

Eligibility determinations for each member of the application are based on each individual's medical assistance unit and total countable income. See WAC <u>182-506-0010</u> and <u>182-506-0012</u>.

Medical Assistance Units		
Individual	Tax Filing Status	Countable Income
Ronald	Head of Household	\$860.00 Unemployment
Zoe	Tax Dependent	\$0.00
Total Income		\$860.00
FPL Conversion		86.8%
5% Income Disregard		81.8%
Eligibility Outcome	Washington Apple Health for	Adults
	Washington Apple Health for Kids	

If Ronald's household income increases over \$150 per month and is expected to last longer than 30 days, he is expected to report it. For example, if Zoe decides get a job next year and expects to earn more than the threshold amount or Ronald returns to work, Ronald is required to report the change.

# Example 2 - Non-filing Household

Rita and her son Seth, who is 16 years old, are currently living with family. Rita is unemployed and Seth is working part time at Starbucks, making \$150 per month while he goes to school. Both Rita and Seth are non-filers for the current tax year.

Rita anticipates that Seth will not make enough from Starbucks this taxable year to meet the tax filing threshold as he will only be working part time while he attends school.

#### **Applying for coverage in Washington Healthplanfinder**

In Washington Healthplanfinder, Rita states that no one in her household is currently employed, as she is not currently making any income for herself or any countable income for Seth.

Are you or someone in your household currently employed not including YES NO any self-employment? (see question below for self-employment) \*

Based on their attested income of \$0.00 per month, Washington Healthplanfinder determines that both Seth and Rita are both eligible for Apple Health coverage.



# **Eligibility Service Determination**

Eligibility determinations for each member of the application are based on each individual's medical assistance unit and total countable income. See WAC <u>182-506-0010</u> and <u>182-506-0012</u>.

Medical Assistance Units			
Individual	Tax Filing Status	Countable Income	
Rita	Non-filer	\$0.00	
Seth	Non-filer	\$0.00	
Total Income		\$0.00	
FPL Conversion		0.0%	
5% Income Disregard		0.0%	

Eligibility Outcome	Washington Apple Health for Adults	
	Washington Apple Health for Kids	

# **Example 3 – Child Claimed by Grandparent**

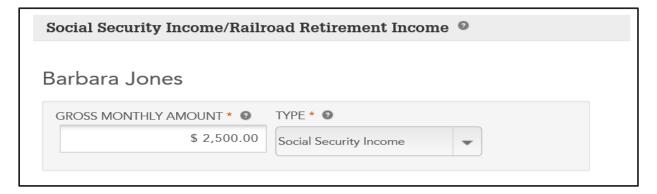
Barbara is single filing taxes and claims her 8 year old granddaughter, Lily, as a tax dependent. Barbara has sole custody of her Lily. Barbara and Lily both receive social security income. Barbara receives \$2,500 per month in retirement and Lily receives \$800 per month in survivor's benefits.

#### Applying for coverage in Washington Healthplanfinder

In the system, Barbara will answer "Yes" to the question to indicate that both she is receiving social security benefits. She does not report Lily's social security benefits as these are exempt.



On the next page in Washington Healthplanfinder, the amounts that each receives each month can be entered:



Once the application is submitted, Washington Healthplanfinder determines the Lily is eligible for Apple Health for Kids and Barbara is eligible to purchase a plan.



#### **Eligibility Service Determination**

Eligibility determinations for each member of the application are based on each individual's medical assistance unit and total countable income. See WAC <u>182-506-0010</u> and <u>182-506-0012</u>.

Medical Assistance Unit – Barbara		
Individual	Tax Filing Status	Countable Income
Barbara	Head of Household	\$2,500.00 Social Security
Lily	Tax Dependent	\$0.00
Total Income		\$2,500.00
FPL Conversion		184.7%
5% Income Disregard		179.7%
Eligibility Outcome – Barbara	Qualified Health Plan – Over	Income for Washington Apple Health

Medical Assistance Unit - Lily		
Individual	Tax Filing Status	Countable Income
Lily	Tax Dependent treated as a Non-Filer	\$0.00
Total Income		\$0.00
FPL Conversion		0.0%
5% Income Disregard		0.0%
Eligibility Outcome – Lily	Washington Apple Health for	Kids

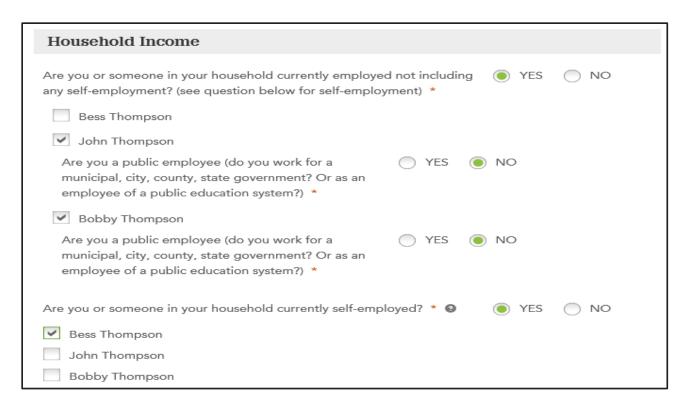
## Example 4 – Anticipated Income of Dependent Exceeds Threshold

Bess and John are married filing jointly. They claim their 16 year old son Bobby as their tax dependent. John is working for a construction company and making a salary of \$3,000 per month, and Bess is self-employed and nets \$400 per month. Bess also has a deduction for paying self-employment tax of \$40.00 per month.

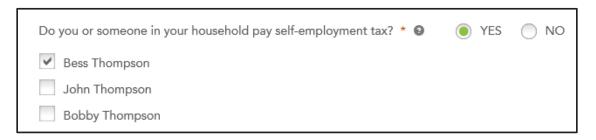
Bobby works part time at Safeway while he attends school. During the summer months, Bobby works almost full time and earns more money, but during the school months, Bobby earns less. During the month of December when the family applies for coverage, Bobby is only making about \$200 a month while he attends school. The family knows Bobby's income requires them to meet the tax filing threshold for the taxable year.

#### **Applying for coverage in Washington Healthplanfinder**

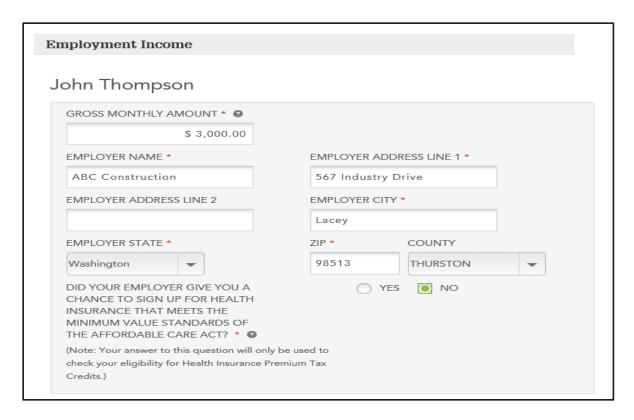
When applying for coverage, the family indicates that John, Bess, and Bobby all have income:



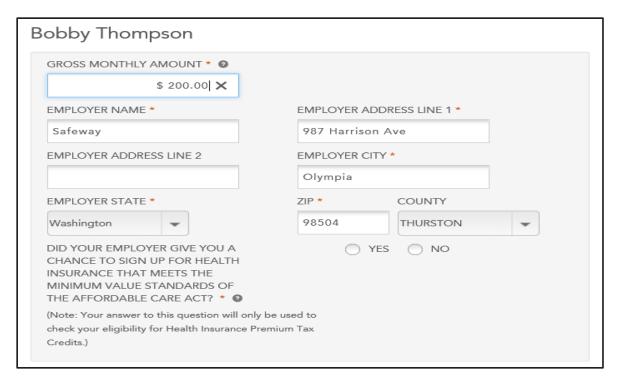
Under the deductions section, they also indicate that Bess pays self-employment tax:



On the following page in Washington Healthplanfinder, each member of the household is prompted to enter in the amounts of their current income. John enters in his employment income from the construction company that he works at.



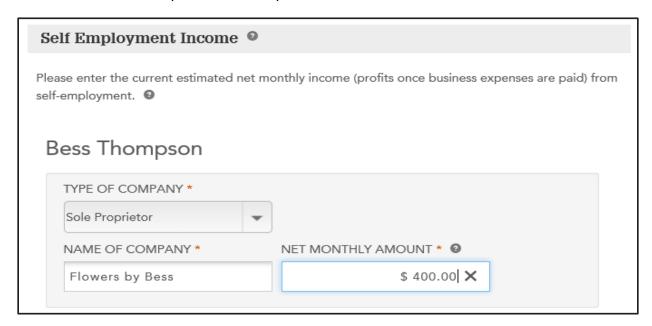
They enter in Bobby's current income from Safeway. He is anticipating to make this amount until school is out in the summertime.



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They enter the net self-employment income that Bess receives on a monthly basis. This is the income received after all the business expenses allowed per the IRS.



The household is also prompted to input the monthly amount of self-employment tax deductions for Bess.



Based on the income provided when the application is submitted, Washington Healthplanfinder determines that Bess and John are eligible to purchase plans and Bobby is eligible for Apple Health for Kids.





#### **Eligibility Service Determination**

Eligibility determinations for each member of the application are based on each individual's medical assistance unit and total countable income. See WAC <u>182-506-0010</u> and <u>182-506-0012</u>.

Medical Assistance Units		
Individual	Tax Filing Status	Countable Income
John	Married Filing Jointly	\$3,000.00 Wages
Bess	Married Filing Jointly	\$400.00 Self-Employment \$40.00 Deduction
Bobby	Tax Dependent	\$200.00 Wages
Total Income		\$3,560.00
FPL Conversion		209.4%
5% Income Disregard		204.4%
Eligibility Outcome	Qualified Health Plan – Over Income for Washington Apple Health  Washington Apple Health for Kids	

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#### **Additional Resources:**

42 CFR 435.603 – Application of modified adjusted gross income (MAGI)

WAC 182-509-0360 - How the income of a child age eighteen or younger or a tax dependent is counted

Apple Health eligibility manual - MAGI Program Requirements - Income

www.irs.gov