MAGI BUDGETING

E-105 ASSISTANCE UNIT DETERMINATION (435.603(f))

For **each** applying member of the household, evaluate the individual's tax filing status to determine which members are included in the individual's assistance unit. Eligibility is determined at the individual level so there may be more than one assistance unit within a household. Apply non-filer rules when determining the assistance unit for individuals who do not file a tax return.

The size of an assistance unit is determined by the number of persons included as members of each individual's assistance unit. In the case of determining the assistance unit size of a pregnant woman, the pregnant woman is counted as herself plus the number of children she is expected to deliver. In the case of determining the family size of other individuals who have a pregnant woman in their assistance unit the number of children she is expecting are not included.

Example: Married couple filing jointly, wife, if pregnant, and they have 1 child who is claimed as a tax dependent.

Father's assistance unit = Father, mother, child (3)

Mother's assistance unit = Father, mother, child, unborn (4)

Child's assistance unit = Father, mother, child (3)

The assistance unit **may** include tax dependents or tax filers not residing in the same home and not applying for assistance. Members outside the household who are included in the assistance unit are listed on the MBRO screen. See task guide Workflow-14 for MBRO data entry. Non-applying members cannot be required to provide a SSN or citizenship status.

E-105.1 Tax Filing Status

Under IRS rules, there are five filing statuses:

- Single
- Married Filing Jointly
- Married Filing Separately
- Head of Household
- Qualifying Widow(er) With Dependent Child

Use the client's statement on the application to determine the household's filing status. If the household reports a change in filing status update the case effective the next available month, allowing for adverse if the change reduces benefits.

If the client reports a change in status after the self-declaration on the application, the change must be due to a verifiable life event.

Verifiable life events include:

- Divorce
- Marriage
- Death
- Birth of a child
- Adoption

E-105.2 Tax-Filer Not Claimed As a Tax Dependent

For individuals who:

a. expect to file a tax return for the current year in which an eligibility determination is being made; **and**

b. do not expect to be claimed as a tax dependent by another tax-filer;

the assistance unit consists of the tax-filer, the joint filer, and all persons whom the individual expects to claim as a tax dependent (**including** tax dependents not living in the home).

E-105.3 Individuals Claimed As Tax Dependents

For an individual who:

a. expects to be claimed as a tax dependent by another tax-filer for the current year in which an eligibility determination is being made;

the assistance unit is the assistance unit of the tax-filer claiming the individual UNLESS the individual claimed as a tax dependent meets any of the following exceptions:

1. The individual expects to be claimed as a tax dependent by someone other than a spouse or a natural, adopted, or step parent;
2. The individual is a child under age 19, living with both parents, (natural, adopted or step) but the parents do not expect to file a joint tax return;
3. The individual is a child under age 19 who expects to be claimed by a non-custodial parent.

If the individual meets one of these exceptions, determine their assistance unit using the non-filer rules.

E-105.4 Married Couples

In the case of a married couple living together, each spouse is included in the assistance unit of the other spouse regardless of whether they expect to file a joint tax return or whether one spouse expects to be claimed as a tax dependent by the other spouse.

Note: Domestic partners will be treated as spouses provided they have registered with the Nevada Secretary of State as domestic partners. Domestic partnerships and same-sex marriages registered in other states are not recognized unless they register in Nevada.

E-105.4.1 Divorced Couples (IRS 501)

If a couple is divorced under a final decree by the last day of the year, they are considered unmarried for the whole year.

E-105.5 Non-Filer Rules

For an individual who:

a. does not expect to file a Federal tax return; **and**

b. does not expect to be claimed as a tax dependent for the taxable year in which an eligibility determination is being made; **or**

c. who meets an exception to the tax dependent rules,

the household consists of the individual **and, if living with the individual**;

a. The individual's spouse; **and**

b. The individual's natural, adopted and step children under the age19; **and**

c. In the case of children under the age 19:

   1. the child’s natural, adopted and step parents; **and**

   2. natural, adoptive and step siblings under the age 19.

E-110 Assistance Unit Budgeting

Budget the current monthly taxable income of every individual included in the assistance unit with the following exception:

a. The income of a child or tax dependent is not included in the parent or tax filer’s assistance unit income **unless** the child/tax dependent is required to file a tax return for the taxable year in which eligibility is being determined whether or not the individual actually files a tax return.

Example:

1. Sarah age 50 claims Stephanie her 17 year old daughter and Beth her 2 year old grandchild. Sarah earns $3,000 a month in wages and Stephanie earns $500 a month in wages.

Sarah's assistance unit = Sarah, Stephanie, Beth
Assistance unit income = $3,000 Sarah. Stephanie's income is not included because she is a tax dependent included in her parent's assistance unit and is not required to file.

Stephanie's assistance unit = Sarah, Stephanie and Beth
Assistance unit income = $3,000 Sarah. Stephanie's income is not included because she is a tax dependent included in her parent's assistance unit and is not required to file.

Beth's assistance unit = Stephanie and Beth
Assistance unit income = $500 Stephanie. Stephanie's income is included because she is not a child or tax dependent in Beth's assistance unit.

2. Joan age 45 claims her nephew Steven age 17 and her niece Maria age 14. Joan earns $1,200 a month in wages and Steven earns $250 a month in wages.

Joan's assistance unit = Joan, Steven and Maria
Assistance unit income = $1,200 Joan. Steven's income is not included as he is a tax dependent, not required to file.

Steven's assistance unit = Steven and Maria
Assistance unit income = $250 Steven. Steven's income is included because his parent or tax filer is not in the assistance unit.

Maria's assistance unit = Steven and Maria
Assistance unit income = $250 Steven. Steven's income is included because his parent or tax filer is not in the assistance unit.

E-110.1 Annual Income Guidelines

The following annual income guidelines are provided to determine if a child or tax dependent is required to file a tax return.

Individuals <u>must</u> file a return if **ANY** of the following apply:

a. Single person, under 65, not blind; and Married persons under 65, not blind:

1. Has Earned Income only > $6,200
2. Has Unearned Income only > $1,000
3. Has combined income (earned and unearned) > $1,000; **OR** has earned income (up to $5,850) plus $350 unearned income.

Note: Married individuals with gross income of at least $5, whose spouse files a separate return with itemized deductions, are required to file a tax return.

b. Single person, 65 or older or blind:

1. Has Earned Income only > $7,750
2. Has Unearned Income only > $2,550
3. Has combined income (earned and unearned) > $2,550; **OR** has earned income (up to $5,850) plus $1,900 unearned income.

c. Single person, 65 or older AND blind:

1. Has Earned Income only > $9,300
2. Has Unearned Income only > $4,100
3. Has combined income (earned and unearned) > $4,100; **OR** has earned income (up to $5,850) plus $3,450 unearned income.

d. Married person, 65 or older or blind:

1. Has Earned Income only > $7,400
2. Has Unearned Income only > $2,200
3. Has combined income (earned and unearned) > $2,200; **OR** has earned income (up to $5,850) plus $1,550 unearned income.

Note: Married individuals with gross income of at least $5, whose spouse files a separate return with itemized deductions, are required to file a tax return.

e. Married person, 65 or older AND blind:

1. Has Earned Income only > $8,600
2. Has Unearned Income only > $3,400
3. Has combined income (earned and unearned) > $3,400; **OR** has earned income (up to $5,850) plus $2,750 unearned income.

Note: Married individuals with gross income of at least $5, whose spouse files a separate return with itemized deductions, are required to file a tax return.

E-115 BUDGET PERIOD

Financial eligibility for applicants and ongoing beneficiaries **must** be based on current monthly income.

Current monthly income includes a best estimate of **net** earned income and any unearned income received regularly.

E-120 EARNED INCOME

Earned income is **cash** received through salary, self-employment or tips, including wage advances, commissions, military pay, jury duty, on-the-job, honorarium payments and work assessment programs through Vocational Rehabilitation. Wage advances are budgeted when received, and are deducted when the employer deducts them from gross pay. **Note:** meals included in the gross taxable income, are considered part of the earnings.

Determine the after tax net amount of all wages, salaries, and commissions by reducing the gross figure by any pre-tax deductions. Advanced EITC received with wages from an employer **must** be deducted from gross earnings.

Income earned in foreign currency, such as Canadian dollars or Mexican pesos, must be converted to U.S. dollars in order to determine what the actual earned income is. Use the exchange rate on the last day of the budget month, unless there is a dramatic change in the foreign exchange rate impacting the amount of the earnings.

E-120.1 Self-Employment

Annualize self-employment income intended for the household's annual support, whether the income is received monthly or less often. This figure is used to determine the monthly self-employment income.

Client statement of gross self-employment income can be accepted when the gross amount (before expenses) is under the income limit for the household size. When the gross self-employment exceeds the income limit, but the net income (after expenses) is under the income limit for the household size request verification of self-employment.

E-120.2 Verification of Self-Employment

If the household has had self-employment income for the past year:

1. Use the adjusted gross income figures from the previous year's tax return, use line 4 on Form 1040EZ, line 21 on Form 1040A or line 37 on Form 1040.

   - Add to the adjusted gross income any:
     RSDI benefits received (line 20a on Form 1040);
     Foreign income received (line 7 on Form 1040);
     Any tax exempt interest received (line 8b on Form 1040).

2. If the current income appears to be substantially different from the previous year, use more current information, such as updated business ledgers or day books. Determine net self-employment income by subtracting allowable costs of producing the income such as; identifiable costs of labor, sales tax, stock, raw materials, seed and fertilizer, advertisement, insurance premiums, utilities, repairs that maintain income-producing property, supplies, fuel, linen service, property tax and interest paid to purchase income-producing property. **Note:** Fuel expenses are not allowed without a detailed mileage record/log or other documentation showing beginning and ending mileage, destination, which supports the expense. The current state mileage rate is used to determine fuel expense. Documentation acceptable to the IRS is acceptable to the Division.

If the household has not had the self-employment income for the past year average the income over the period of time the business has been in operation, and project that income.

3. Form 2011, Self-Employment worksheet completed by the client with receipts and records may be used.

E-125 UNEARNED INCOME

Unearned income is income received without performing work-related activities. It includes benefits from other programs.

Regular unearned income deposited directly into a financial institution is considered received in the month for which it is intended to be received.

When an individual receives and returns a check (e.g., UIB, RSDI, VA, etc.) to the issuing agency, determine whether to budget the payment using the following guidelines:

a. If there is evidence the check was incorrectly paid and it is verified the check was returned, do not budget the amount as income.

b. If the check was correctly paid and was voluntarily returned, budget the amount as income in the month received.

Do not count RSDI, SSI, VA, or other such benefits which a member of the household is entitled to receive if the benefits are paid to someone outside the household who:

a. receives the funds, **and**

b. does not make the money available to the beneficiary.

If the payee provides a portion of the funds to the beneficiary, count the amount made available in cash or by vendor payment as unearned income to the beneficiary's assistance unit. Any portion of the funds the payee keeps for their own use is budgeted as unearned income to the payee's assistance unit.

If the income is not made available, the individual must follow the requirements for pursuing legally obligated income (refer to manual section C-500).

E-130 BEST ESTIMATE OF INCOME

When determining current monthly income for any income not received monthly, use the 30 day period prior to the application date to calculate a best estimate. Do not include the application date in the 30 day calculation.

If the client provides any additional verification of income or a change in income is discovered by the agency between the date of application and the date of processing the income change will only be evaluated in the best estimate calculation if one of the following changes in income is reported or discovered.

Earned Income	**Unearned Income**
Change in employer	Change in benefit amount
Change in average hours worked	Change in payment frequency
Change in hourly rate	Termination of benefit payment
Change in salaried rate	
Change in pay frequency	
Termination of employment	
Addition or removal of bonus or commission income	

A new 30 day period of income will be determined only if the client's circumstances have changed. If a change in income has been reported or discovered prior to case processing, the new 30 day best estimate period begins with the date the client reports or the agency becomes aware of the change. If the client reports new employment or a new benefit, without a pay history, a projection of income based on hourly rate, hours worked and pay frequency will be used to determine ongoing monthly income.

E-130.1 Converting Income to Monthly Amounts

If income is not received monthly, convert it to monthly amounts using one of the following methods:

a. Multiply weekly income by 4.3.

b. Add amounts received semi-monthly (twice a month).

c. Multiply bi-weekly (amounts received every other week) by 2.15.

E-130.2 Unpredictable Income

Irregular and unpredictable income is exempt. Consider income irregular and unpredictable if both of the following conditions apply:

a. the anticipated income will be less than or equal to $30 in a calendar quarter, and

b. the income is received too infrequently or too irregularly to be reasonably anticipated.

E-130.3 Irregular Income

When converting and projecting earnings, do not include bonuses, holiday pay, commissions and/or overtime, unless it is received on a regular basis or the holiday pay is received in lieu of regular pay (i.e., vacation pay).

If bonuses, overtime, commission, etc., is received once a month, convert the regular earnings and then add the monthly overtime, bonus, commission, etc., to the total converted amount of earnings. Ensure the budgeting method is documented in the case record.

Households which, by contract or self-employment, receive their annual income in a period of time shorter than one year shall also have that income averaged over a 12-month period provided the income from the contract is not received on an hourly or piecework basis. These households may include some school employees, sharecroppers, farmers, and other self-employed households. This does not include migrant or seasonal farm workers.

E-130.4 Converting New Income

Use the following procedures if the household has a new source of income and there is not enough history from which a monthly amount of income can be accurately projected:

a. Determine the estimated number of hours to be worked per week,

b. Estimate weekly gross income by multiplying the weekly estimated hours by the hourly wage.

c. Determine the monthly projected gross income by multiplying the estimated weekly gross income by 4.3.

Note: If verification substantiates the use of a specific factoring method which is more accurate than multiplying weekly gross income by 4.3, use what will accurately reflect the income to be received.

E-135 APPLICATION OF MODIFIED ADJUSTED GROSS INCOME

Modified adjusted gross income consists of four types of income that are counted in determining eligibility: (see E300 for list of taxable/non-taxable income types).

- Taxable income
- Social Security (RSDI) benefits not included in taxable income
- Tax-exempt interest
- Foreign earned income

E-135.1 Allowable Deductions

MAGI budgeting rules allow certain income tax deductions in the eligibility determination. Deductions taken on an annual basis are not included in a current monthly income budget determination. Only allowable deductions taken monthly or taken in the budget month are used in the current monthly income budget.

The advanced premium tax credit eligibility determination is made using annual income and annual deduction amounts. The difference in budgeting methodology may cause an individual to be determined Medicaid eligible based on annual income and Medicaid ineligible based on current monthly income. When this occurs, the case manager should request verification of the expected annual income amount listed on the application. If the annual income divided by 12 makes the individual Medicaid eligible and there have been no changes in circumstances use the annual figure divided by 12 to determine eligibility.

Examples of verification of annual vs. monthly income discrepancy would include; a tax return, seasonal work contract, statement from employer regarding temporary assignment, substitute teaching contract.

Certain tax deductions allowed by the IRS are not included in MAGI budgeting. If an individual lists deductions under “OTHER” on the application, verify the deduction type before allowing the deduction in the budget.

MAGI allowable annual deductions include:

- Educator expenses
- Business expenses of reservists, performing artists, and fee-basis government officials
- Health savings account deductions
- Moving expenses
- Deductible part of self-employment tax
- Self-employed SEP, SIMPLE and qualified plan contributors
- Self-employed health insurance deduction
- Penalty paid on early withdrawal of savings
- Alimony paid
- IRA deduction
- Student loan interest deduction
- Tuition and fees
- Domestic production activities deduction

Pre-tax deductions taken from earned income are allowed in the current monthly income budget. Pre-tax deductions may include but are not limited to:

- Dependent care expenses
- Flexible spending accounts
- Retirement contributions
- Commuter expenses
- Health insurance premiums

Allowable deductions will not reduce the countable amount of RSDI benefits received by any household members.

Example: Client reports self-employment income loss of $3,000.00 and RSDI income of $1,022.00. The current monthly income budget would be $1,022.00.

E-140 STEP-BY-STEP ASSISTANCE UNIT AND INCOME DETERMINATION

E-140.1 Construct a Medicaid/NCU Assistance Unit for Each Applicant

a. Does the individual expect to file taxes?
   1. **If no** – continue to step b
   2. **If yes** – does the individual expect to be claimed as a tax dependent by anyone else?
      a) **If no** – the assistance unit consists of the tax-filer, a spouse living with the tax-filer, and all persons whom the tax-filer expects to claim as a tax dependent.
      b) **If yes** – continue to step b.

b. Does the individual expect to be claimed as a tax dependent?

1. **If no** – continue to step c

2. **If yes** – does the individual meet any of the following exceptions?

a) The individual expects to be claimed as a tax dependent of someone other than a spouse or a biological, adopted, or step parent.

b) The individual is a child under age 19 living with both parents, but the parents do not expect to file a joint tax return.

c) The individual is a child who expects to be claimed by a non-custodial parent.

1) **If no** – the assistance unit is the assistance unit of the tax-filer claiming her/him as a tax dependent.

- Is the individual married? If yes- the assistance unit also includes the individual's spouse

2) **If yes** – continue to step c

c. For individuals who neither expect to file a tax return nor expect to be claimed as a tax dependent as well as tax dependents who meet one of the exceptions in b.2., the household consists of the individual **and, if living with the individual**;

1. The individual's spouse
2. The individual's natural, adopted and step children under the age 19.
3. In the case of an individual under age 19, the natural, adopted and step parents and natural, adoptive and step siblings under age 19.

E-140.2 Determine the Medicaid/NCU Income for Each Assistance Unit

a. Is any member of the assistance unit a child or expected tax dependent of another member of the assistance unit?

1. **If yes** – is the child or tax dependent expected to be required to file a tax return?

a) **If yes** - continue to step b and include the child's income in total assistance unit income.

b) **If no** - continue to step b, but do not include the child's income in total assistance unit income.

2. **If no** - continue to step b

b. Determine income of each member of the individual’s assistance unit, unless income of such member is flagged as not being counted in step a.

c. Assistance unit income equals the sum of the income of every member of the individual’s assistance unit determined in step b.

E-145 MAGI EXEMPTIONS

MAGI methodologies do not apply to individuals applying for Medicaid and Medicare Beneficiary benefits under the aged, blind and disabled categories (MAABD).

When an applicant indicates on the application they are disabled or pursuing home and community based services, process a MAABD application. **IF** the individual also meets eligibility under a MAGI group, they may receive Medicaid under the MAGI group until the MAABD determination is made.

When an individual is pending a SSI determination:

a. approve Medicaid under the appropriate MAGI group and document pending SSI determination, **DO NOT apply for MAABD in AMPS**.

If SSI is approved:

a. terminate MAGI eligibility in the next month **prior to cut-off** and approve Medicaid under the appropriate MAABD category for the month after the MAGI eligibility ended.

Note: DO NOT approve MAABD for months an individual has already received Medicaid under another group, this may adversely affect patient billing as well as federal funding levels.