

Income Eligibility Using MAGI Rules

This fact sheet provides information and guidance Navigators and certified application counselors (collectively, assisters) need to know in order to explain modified adjusted gross income (MAGI) and how to calculate household income to consumers applying for Marketplace coverage and financial assistance.

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Overview

Modified adjusted gross income (MAGI) is a methodology used to determine consumers' eligibility for:

- Advance payments of the premium tax credit (APTC).
- Cost-sharing reductions (CSRs).
- Certain Medicaid eligibility groups.
- The Children's Health Insurance Program (CHIP).

Generally, MAGI is a household's adjusted gross income plus these, if any:

- Untaxed foreign income.
- Non-taxable Social Security benefits.
- Tax-exempt interest.

MAGI does not appear as a line on consumers' tax returns. Unless someone is receiving Social Security benefits, it is often identical or very close to a household's adjusted gross income.

Whose Income to Include

Household size and composition are important factors when calculating MAGI and may be different for the Marketplace than for Medicaid and CHIP.

Marketplace Tax Households

To calculate eligibility for APTC and CSRs, the Marketplace asks for each applicant's tax-filing status and who will be on their tax return.

- Individuals who appear together on the same tax return are in the same tax household.
- The number of people in the tax household is used to determine the household's income as a percentage of the federal poverty level. This percentage is then used to determine eligibility for help paying for coverage.
- Generally, consumers who are married and will file separately for the year they want coverage can enroll in a Marketplace plan together but are not eligible for APTC and CSRs.

Only members of a single tax household can enroll using the same eligibility application when filing for financial assistance. Financial assistance applicants in different tax households can select the same Marketplace plan, but they will be issued different policies and will have separate premium payments and deductibles.

For many people, the basic equation for calculating tax households is:

$$\text{Tax Household} = \text{Tax Filer} + \text{spouse} + \text{tax dependents}$$

When determining their tax household, consumers should include:

- Their spouse if legally married and filing jointly.
- Anyone they plan to claim as a tax dependent for the year they want coverage, even if the dependent has their own tax filing requirement.
- Their spouse and tax dependents even if they don't need health coverage.

When determining their tax household, consumers should **not** include anyone in their household they don't file a joint return with or claim as a tax dependent.

There are two scenarios where married consumers may be eligible for APTC despite indicating that they're in a separate tax household from their spouse:

- If consumers live apart from their spouse and are victims of domestic abuse, domestic violence, or spousal abandonment and want to enroll in their own health plan separate from their abuser or abandoner, they can indicate that their marital status is "Single" on their Marketplace application and still be eligible for APTC, if otherwise eligible. They may claim the premium tax credit (PTC) using the Married Filing Separately filing status.
- Consumers who are legally married but live separately from their spouse and have a tax dependent they live with and take care of may be eligible to file as Head of Household. These consumers aren't considered Married Filing Separately for purposes of APTC eligibility.

In some cases, the Marketplace may ask for information about other individuals a consumer lives with who are not part of their tax household. To ensure correct eligibility determinations, consumers should provide as much information as they are able. To learn more about who is part of the same household, visit [HealthCare.gov/income-and-household-information/household-size](https://www.healthcare.gov/income-and-household-information/household-size).

Marketplace Multi-tax Households

If the members of a family will file more than one federal income tax return, they may be treated as a "multi-tax household." This does not apply if all tax filers will also be claimed as a dependent on the same return. If multiple tax filers who are part of the same family wish to apply

for help paying for Marketplace coverage, each tax filer may need to complete a separate application and should include income information from all family members the application asks about when they submit their applications. Members of each application will be on their own policy; however, they can still select the same plan if they choose to. Each tax household should include any dependents claimed on the tax filer's tax return. The consumer filing the application is the "application filer." Other members of the tax household should be listed on that same application as "applying for coverage" if those other consumers want health coverage, too. Other individuals who are not also members of the tax household should not apply for coverage on the same application. They should be included on the application as non-applicants, if appropriate.

Medicaid and CHIP Tax Households

A Medicaid and CHIP household is generally the same as a tax household. However, the Marketplace checks each applicant's situation for possible additions and exceptions. The following additional people are sometimes added to an applicant's Medicaid and CHIP household size in addition to their tax household:

- A spouse, if the spouses live together but aren't on the same tax return.
- Pregnant women. A pregnant woman's household size is increased based on the child or children she is carrying, but there won't be additional income to add.

Individuals who apply for Medicaid or CHIP don't need to file federal income tax returns or be claimed as dependents on someone else's federal income tax return.

When any of the following situations apply, tax household rules aren't used at all:

- Consumers who do not expect to file federal income taxes and will not be claimed as a dependent.
- Tax dependents claimed by a non-parent or by a non-custodial parent.
- Children living with two parents or step-parents who don't file a joint tax return.

Instead, non-filer rules are used to determine the Medicaid and CHIP households of applicants:

- For adults, the Medicaid/CHIP household includes:
 - 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/CHIP household includes:
 - The child; and
 - Any parent(s), sibling(s), spouse, and the child’s children, if living with the child.

Domestic Partners and Tax Households









Domestic partners are an example of a Marketplace multi-tax household. Their situation is more complex than married couples when completing a Marketplace application.

- If the couple has no children together, each domestic partner must complete a separate application because the partners are not married and do not file a joint tax return.
- If the couple has children together, each domestic partner must complete their own application but include their partner as a "non-applicant."
- If one domestic partner claims the other as a dependent, both domestic partners can be on the same application for coverage.










Scenario: Domestic Partners

Joe, Sue, and Timmy all live together. Joe is 34 years old, Sue is 32, and Timmy is 10. Joe and Sue are domestic partners, and Timmy is their son. Joe and Sue are not married and do not file taxes jointly. Joe will file taxes and won’t claim any dependents. Sue will file taxes and will claim Timmy on her tax return.

For the purposes of APTC eligibility, households are determined using tax household rules:

Applicant	APTC Household
	 <p>Joe is single, filing a tax return, and not claiming any dependents.</p>
	  <p>Sue is single, filing a tax return, and claiming Timmy as a dependent.</p>
	  <p>Timmy’s household is the household of his claimer (Sue).</p>

For the purposes of Medicaid and CHIP eligibility, households are determined using nonfiler exception rules or tax household rules, as applicable:

Applicant	Medicaid and CHIP Household
	 <p>Joe is filing taxes and does not meet a nonfiler exception, so his Medicaid household will be determined using tax household rules.</p>
	  <p>Sue is filing taxes and does not meet a nonfiler exception, so her Medicaid household will be determined using tax household rules.</p>
	   <ul style="list-style-type: none"> • Timmy meets a nonfiler exception – he is under state Medicaid child age, living with both parents, and his parents won't file jointly – so his Medicaid household will be determined using nonfiler rules. • Using nonfiler rules for applicants under state Medicaid child age, Timmy's Medicaid and CHIP household includes himself and any parents who live with him (Joe and Sue).

What Income is Counted

Taxable Income

If an income type is taxable and included on a consumer's federal income tax form, then it counts as part of MAGI. All taxable income should be included on a Marketplace application. A consumer doesn't need to know the MAGI rules to complete a Marketplace application and get the right eligibility outcome. The application is designed to ask questions that will collect income information from the right people. The Marketplace will then add together only the income amounts that should count. The Marketplace relies on projected yearly income for the year consumers are seeking coverage when assessing their eligibility for APTC and CSRs.

The following table lists income consumers should and should not report on their Marketplace application. For a full list, refer to IRS Publication 17 ([IRS.gov/forms-pubs/about-publication-17](https://www.irs.gov/forms-pubs/about-publication-17)) and 525 ([IRS.gov/forms-pubs/about-publication-525](https://www.irs.gov/forms-pubs/about-publication-525)).

Report this income:	Don't report this income:
<ul style="list-style-type: none"> ▪ Wages, salaries, bonuses ▪ Self-employment income ▪ Tips and gratuities ▪ All Social Security retirement and disability income ▪ Unemployment compensation* ▪ Rent income ▪ Alimony received (for divorces or separations finalized before 1/1/2019) 	<ul style="list-style-type: none"> ▪ Temporary Assistance for Needy Families (TANF) payments ▪ Child support payments ▪ Supplemental Security Income (SSI) ▪ Veterans' benefits ▪ Workers' compensation ▪ Proceeds from loans ▪ COVID-19 economic impact payments* ▪ Child tax credit payments

*For more information on COVID-19-related unemployment compensation and economic impact payments, visit [IRS.gov/coronavirus-tax-relief-and-economic-impact-payments](https://www.irs.gov/coronavirus-tax-relief-and-economic-impact-payments).

Social Security income includes Social Security Disability Insurance (SSDI), retirement income, and survivor's benefits. These forms of income are counted in MAGI, even when not taxable. Supplemental Security Income (SSI) is separate from Social Security even though they sound alike. It is designed to help persons who are aged, blind, or disabled who are very low income and have limited assets. SSI is not taxed and does not count towards MAGI.

Deductions

A consumer might also have expenses that reduce their taxable income and are taken into account in the household income calculation. These are called deductions or adjustments. The following table lists deductions that should and should not be reported on a Marketplace application. For more information, refer to IRS Publication 17 at [IRS.gov/forms-pubs/about-publication-17](https://www.irs.gov/forms-pubs/about-publication-17).

Report these deductions:	Don't report these deductions:
<ul style="list-style-type: none"> ▪ Alimony paid (for divorces or separations finalized before 1/1/2019) ▪ Student loan interest ▪ IRA contributions (if you don't have a retirement account through a job) ▪ Educator expenses (for teachers who pay for supplies out-of-pocket) ▪ For 2021, charitable contributions up to \$300 per year, if allowed by IRS rules 	<ul style="list-style-type: none"> ▪ Child or dependent care expenses ▪ Charitable contributions over \$300 per year ▪ Mortgage interest ▪ Child support payments ▪ Property taxes ▪ Tuition costs ▪ Alimony paid (for divorces or separations finalized after 1/1/2019)

Note: MAGI only subtracts the deductions on Schedule 1 of a 1040 tax return. There are other deductions on other parts of a tax return that should not be reported on the Marketplace application.

Non-taxable Income

A few non-taxable income types are also included in MAGI; however, most households don't have these other income types:

- Non-taxable Social Security benefits;
- Tax-exempt interest; and
- Excluded foreign income.

Medicaid and CHIP Eligibility

Medicaid and CHIP generally rely on current monthly household income to determine eligibility for coverage. There are three income types that the Marketplace doesn't count for Medicaid and CHIP eligibility, even when taxable:

- Certain scholarship income;
- Certain tribal income; and
- Federal Pandemic Unemployment Compensation (in 2020 and 2021).

This income should still be reported on the application. This income, like all other taxable income, still counts for APTC and CSR eligibility. The Marketplace eligibility logic automatically subtracts it out when calculating Medicaid and CHIP eligibility.

Since Federal Pandemic Unemployment Compensation is ending by September 4, 2021, do not include it on the application. Most consumers will no longer be receiving it, so the eligibility logic will not subtract it out if it is entered.

Some individuals are exempt from the MAGI-based income counting rules, including those whose eligibility is based on blindness, disability, or age (65 and older). Medicaid eligibility for individuals 65 and older or who have blindness or a disability is generally determined using the income methodologies of the SSI program administered by the Social Security Administration. Certain Medicaid eligibility groups do not require a determination of income by the Medicaid agency. This coverage may be based on enrollment in another program, such as SSI or the breast and cervical cancer treatment and prevention program. Children for whom an adoption assistance agreement is in effect under title IV-E of the Social Security Act are automatically eligible. Young adults who meet the requirements for eligibility as a former foster care recipient are also eligible at any income level.

Income of Children and Tax Dependents

Consumers should always include income of children and tax dependents (of any age) on their Marketplace application when it is requested. The Marketplace will calculate whether to count their income based on their age and the income types and amounts they include on the application according to these rules:

- A tax dependent's income only counts in the MAGI methodology if high enough that the dependent is required to file their own tax return, according to IRS rules.
- The income threshold for filing tax returns depends on the type of income the dependent receives.
- The income counting rules for dependents are the same whether or not they plan to file a tax return.
- Dependents may file a tax return when not required to do so, and it will not impact eligibility.

For more information on who qualifies as a dependent, refer to IRS Publication 501 at [IRS.gov/forms-pubs/about-publication-501](https://www.irs.gov/forms-pubs/about-publication-501).

Disability-Related Income

Consumers may face challenges when estimating their disability-related income. When they complete an application, consumers:

- Should include Social Security payments, including disability payments.
- Should **not** include anticipated Social Security payments for applications that have not yet been approved.
- Should **not** include SSI, veterans' disability payments, or workers' compensation.

American Indians and Alaska Natives (AI/ANs)

The Marketplace application asks consumers to provide income information that's reportable on their federal income tax return. In general, they won't report AI/AN income that the IRS exempts from tax. Most AI/AN trust income and resources aren't counted when determining eligibility for Marketplace insurance plans, Medicaid, and CHIP.

The following categories of income are generally excluded from an AI/AN's MAGI:

- Distributions from Alaska Native Claims Settlement Act (ANCSA) 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 assistance provided by the Bureau of Indian Affairs and/or a Tribe
- Income that falls within the IRS General Welfare Doctrine
- Any other income that is non-taxable according to federal law or IRS guidance

For more information on AI/AN MAGI calculations, refer to [CMS.gov/Outreach-and-Education/American-Indian-Alaska-Native/AIAN/Outreach-and-Education/pdf/aian-trust-income-and-magi_11903-N.pdf](https://www.cms.gov/Outreach-and-Education/American-Indian-Alaska-Native/AIAN/Outreach-and-Education/pdf/aian-trust-income-and-magi_11903-N.pdf). For more information on health coverage for AI/AN consumers, refer to [HealthCare.gov/american-indians-alaska-natives](https://www.healthcare.gov/american-indians-alaska-natives).

Households with Variable Income

Sometimes it's hard for consumers to predict their income if they're unemployed, self-employed, on commission, or on a work schedule that changes regularly. These consumers should base their estimate on their past experience, recent trends, what they know about possible changes at their workplace, and similar information. If the job is new to them, they can ask people in the same field or in the same company about their experiences. Consumers can use the [Income Calculator](#) at HealthCare.gov to help estimate each household member's income.

Changes in Income

If a consumer's or a household member's income changes after they submit a Marketplace application, they should return to the Marketplace and update their application. This will help make sure they're getting the right amount of savings. If consumers make more than they reported on their Marketplace application, they could have to pay back some or all of the APTC they took during the year. If they make less, they could qualify for more savings than they claimed during the year. For more information on reporting changes in income, visit [HealthCare.gov/reporting-changes/how-to-report-changes](https://www.healthcare.gov/reporting-changes/how-to-report-changes) and refer to [SOP 13 – Update a Federally-facilitated Marketplace Account](#).

Note that only for tax year 2020, due to flexibilities provided by the American Rescue Plan Act of 2021, taxpayers do not need to repay excess APTC paid on their behalf in 2020. Therefore, IRS announced that taxpayers with excess APTC for 2020 are not required to file Form 8962, Premium Tax Credit, to reconcile their APTC with the amount of PTC they may claim for 2020. See the [Instructions for Form 8962, Premium Tax Credit](#), [News Release](#), and [IRS Fact Sheet](#) for more details about the changes related to the PTC for tax year 2020.

Appendix A – Income Resource Chart

For more information about:	Please visit:
Who To Include As Part of Your Tax Household	Who to include in your household
Tax Filing Requirements for Dependents	Tax filing requirement IRS Publication 501 (2019), Dependents, Standard Deduction, and Filing Information
How to Estimate Expected Income	How to estimate your expected income Streamlined Marketplace Application Drilldown – Estimating Income
What To Include As Income	What to include as income IRS Publication 17 (2019), Your Federal Income Tax
IRS Income Quick Reference Guide	IRS Income Quick Reference Guide
Definitions of Income Types	Reporting income
Estimating Income if Self-Employed	Reporting self-employment income to the Marketplace IRS Tax Guide for Small Business (For Individuals Who Use Schedule C)
Estimating Income if Unemployed	How to estimate your income if you're unemployed
How to Report Income Changes	How to report changes to the Marketplace
How to Estimate Deductions	Reporting income deductions IRS Tax Topic No. 450 Adjustments to Income
Guide to Confirming Your Income Information	Guide to Confirming Your Income Information
Marketplace Coverage and Coronavirus	Marketplace coverage & Coronavirus IRS Coronavirus Tax Relief and Economic Impact Payments
Federal Poverty Level Guidelines	HHS Poverty Guidelines for 2021
Additional Questions and Answers	HealthCare.gov Help: Income Marketplace Assister Microlearning

