
Modified Adjusted Gross Income (MAGI)

REVISED 1/18/2023– CHANGE NO. 02-23

Current Change Notice: 02-23

- Section B
 - This section has been included in Section A
- Section C
 - Ongoing Income which stated Income that the household has previously received that has terminated or will terminate during the certification period has been removed
- Section D
 - Retroactive Income has been changed to Section B

I. INTRODUCTION

The term “Modified Adjusted Gross Income” (MAGI) refers to a methodology of determining if an individual is eligible for medical assistance. This section provides eligibility information in regard to Modified Adjusted Gross Income (MAGI) policies and procedures.

MAGI methodology is used to determine countable income and household composition based on tax rules for most Medicaid categories when determining eligibility.

MAGI methodology includes:

- A. Taxable income is countable income**
- B. Non-taxable income is excluded income**
- C. There is no asset or resource test**
- D. A 5% income disregard is applied when the applicant/beneficiary’s income exceeds the highest comprehensive full Medicaid program income limit or NCHC limit**
- E. Household size is determined by the principles of tax dependency, filer and non-filer tax rules**

II. MAGI MEDICAID CATEGORIES

Determinations of eligibility for most Family Medicaid covered groups, including those in the Federal Marketplace, use the MAGI methodology.

- A. Infants and Children under 19**

- B. Pregnant Women**
- C. 19 and 20-Year-Olds**
- D. Parents/ Caretaker Relatives**
- E. Family Planning Program**
- F. Former Foster Care Children up to age 26 (MFC)**
- G. HSF Foster Care**

III. HOUSEHOLD COMPOSITION

Household composition determines the income limit and whose income may be used in the eligibility determination. The household composition is determined separately for each household member.

A. Determining Household

The household is determined based on whether the individual is a tax filer, tax dependent or a non-tax filer.

1. Tax Household

a. If the individual is the tax filer, the MAGI household consists of the following:

- 1) Tax filer – an individual who expects to file a tax return for the taxable year;
- 2) Spouse living with the tax filer; and
- 3) All persons whom the tax filer expects to claim as tax dependents.

b. If the individual is a tax dependent, the MAGI household consists of:

- 1) Tax dependent – an individual expected to be claimed as a dependent by someone else (whether or not he/she expects to file taxes) for the taxable year;
- 2) Tax dependent's spouse, if living together; and
- 3) All members of the household of the tax filer who claims the individual as a tax dependent.

c. If the individual is a tax dependent and meets one of the following exceptions, apply the non-filer rules in 2. below:

- 1) An individual is claimed as a tax dependent by someone other than a

spouse or a natural, adoptive, or stepparent.

- 2) A child under the age of 19 is living with parents who do not expect to file a joint tax return. This may include a stepparent.
- 3) A child under the age of 19 is claimed as a tax dependent by a non-custodial parent.

2. Non-filer Household

a. If the individual does not expect to file taxes and does not expect to be claimed as a tax dependent, or is a tax dependent who meets an exception in 1.c above, the MAGI household consists of the individual and, when living in the home, with:

- 1) The individual's spouse; and
- 2) The individual's natural, adoptive, and step children under the age of 19.

b. If the individual is under age 19, the MAGI household is the same as b.1. above and includes:

- 1) The individual's natural, adoptive, and stepparents; and
- 2) The individual's natural, adoptive, and step siblings under the age of 19.







3. When determining the family size of a household containing at least one pregnant woman, each pregnant woman is counted as herself plus one. If there is more than one fetus, request verification is required.

To add a new household member to an existing case, refer to [Job Aid: P7 Adding a New Household Member Who is Applying to an Existing Integrated Case \(CoC\)](#).

B. Constructing the Household

To determine tax filing status for each applicant, apply the MAGI Household Composition Chart below:

MAGI Household Composition Chart

1	2	3	4	5	6
Will Applicant/ beneficiary file Taxes? Yes	Will Applicant/ beneficiary file Taxes? No	Will Applicant/ beneficiary file Taxes? Yes	Will Applicant/ beneficiary file Taxes? No	Will Applicant/ beneficiary file Taxes? No	Will Applicant/ beneficiary file Taxes? Yes
Will applicant/ beneficiary be a tax dependent for anyone else? No	Will applicant/ beneficiary be a tax dependent for anyone else? Yes	Will applicant/ beneficiary be a tax dependent for anyone else? Yes	Will applicant/ beneficiary be a tax dependent for anyone else? No	Will applicant/ beneficiary be a tax dependent for anyone else? Yes	Will applicant/ beneficiary be a tax dependent for anyone else? Yes
	Does the Applicant/ beneficiary meet any of the exceptions*? No	Does the Applicant/ beneficiary meet any of the exceptions*? No		Does the Applicant/ beneficiary meet any of the exceptions*? Yes	Does the Applicant/ beneficiary meet any of the exceptions*? Yes
					
Tax HH: HH is applicant, co-filer spouse and individual's tax dependents. Include live in spouse if not included in tax HH.	Tax HH: HH is tax filer's household claiming individual as a dependent. Include individual's live-in spouse if not included in tax HH.		Non-Filer HH: HH is applicant/beneficiary, spouse in the home, and their children in home under age 19. If applicant/beneficiary is under age 19: Also includes: live-in parent(s) and live-in siblings under age 19. *Exceptions: Is the individual: <ul style="list-style-type: none"> • A tax dependent of someone other than spouse or parent? • Under age 19 and living with both parents who will not file jointly? • Under age 19 and will be claimed by a non-custodial parent? 		

C. Construct the MAGI household for each individual:

Annie's Household

Annie (35), Annie's son Jacob (10) and Annie's daughter Miley (7) are in the household. Annie does not expect to file taxes or be claimed as a tax dependent.

1. Annie's household

Does Annie expect to file taxes? **No.**

Does Annie expect to be claimed as a tax dependent? **No**

Annie's Household is established using the non-filer rules: Annie, Jacob, and Miley

2. Jacob's household

Does Jacob expect to file taxes? **No.**

Does Jacob expect to be claimed as a tax dependent? **No**

Jacob's household: Jacob, Annie and Miley (non-filer rules)

3. Miley's household

Does Miley expect to file taxes? **No**

Does Miley expect to be claimed as a tax dependent? **No**

Miley's household: Miley, Annie and Jacob (non-filer)

Household Determination

	MAGI Household	Annie	Jacob	Miley	Family Size
Applicant	Annie	x	x	x	3
	Jacob	x	x	x	3
	Miley	x	x	x	3

Mary's household

Mary (51), Mary's son Bill (22), Mary's Nephew Ned (10) and Mary's niece Nancy (10) are in the household. Mary claims all as tax dependents.

1. Mary's household

Does Mary expect to file taxes? **Yes**

Does Mary expect to be claimed as a tax dependent? **No**

Mary's Household is her tax household: Mary, Bill, Ned and Nancy

2. Bill's household

Does Bill expect to file taxes? **No**

Does Bill expect to be claimed as a tax dependent? **Yes**

Does Bill meet any of the tax dependent exceptions? **No**

Bill is over the age limit and not eligible for coverage unless he wants to apply for eligibility on basis of disability (non-MAGI) or for Family Planning Program (FPP). Bill's household for FPP: Mary, Bill, Ned and Nancy (the tax household of the filer who claims him as a dependent)

3. Ned's household

Does Ned expect to file taxes? **No**

Does Ned expect to be claimed as a tax dependent? **Yes**

Does Ned meet any of the tax dependent exceptions? **Yes**

Ned expects to be claimed by someone other than a spouse or a biological, adopted, or stepparent. The household consists of himself and his sibling.

Non-filer rules apply.

Ned's Household: Ned and Nancy

4. Nancy's household

Does Nancy expect to file taxes? **No**

Does Nancy expect to be claimed as a tax dependent? **Yes**

Does Nancy meet any of the tax dependent exceptions? **Yes**

Nancy expects to be claimed by someone other than a spouse or a biological, adopted, or stepparent. The household consists of herself and her sibling. Non-filer rules apply.

Nancy's Household: Nancy and Ned

Household determination

Applicant	MAGI Household	Mary	Bill	Ned	Nancy	Family Size
	Mary		x	x	x	x
Bill		x	x	x	x	4
Ned				x	x	2
Nancy				x	x	2

Carol's Household

Carol (49), Carol's daughter Marcia (17), Marcia's daughter, Lily (2), are in the household. Carol claims all as tax dependents.

1. Carol's household

Does Carol expect to file taxes? **Yes**

Does Carol expect to be claimed as a tax dependent? **No**

Carol's Household is her tax household: Carol, Marcia, and Lily

2. Marcia's household

Does Marcia expect to file taxes? **No**

Does Marcia expect to be claimed as a tax dependent? **Yes**

Does Marcia meet any of the tax dependent exceptions? **No**

Marcia’s Household is the tax household of the person who claims her as a dependent: Marcia, Carol, and Lily

3. Lily’s household

Does Lily expect to file taxes? **No**

Does Lily expect to be claimed as a tax dependent? **Yes**

Does Lily meet any of the tax dependent exceptions? **Yes**

Lily expects to be claimed by someone other than a spouse, or biological, adopted, or stepparent. Lily is being claimed by her grandmother. Non-filer rules apply.

Lily’s Household: Lily and Marcia

Household Determination

Applicant	MAGI Household	Carol	Marcia	Lily	Family Size
	Carol		x	x	x
Marcia		x	x	x	3
Lily			x	x	2

Rose’s household

Rose (48), Rose’s daughter Alice, (17), Alice’s daughter Kitty (1), are in the household. Rose claims Alice as a tax dependent. Kitty is claimed by her father Dennis (20), who does not reside in the household.

1. Rose’s household

Does Rose expect to file taxes? **Yes**

Does Rose expect to be claimed as a tax dependent? **No**

Rose’s Household is the tax household: Rose and Alice

2. Alice’s household

Does Alice expect to file taxes? **No**

Does Alice expect to be claimed as a tax dependent? **Yes**

Does Alice meet any of the tax dependent exceptions? **No**

Alice's Household is the tax household of the person who claims her as a dependent: Alice and Rose

3. Kitty's household

Does Kitty expect to file taxes? **No**

Does Kitty expect to be claimed as a tax dependent? **Yes**

Does Kitty meet any of the tax dependent exceptions? **Yes**

Kitty expects to be claimed by a non-custodial parent. Non-filer rules apply.

Kitty's Household: Kitty and Alice

Household Determination

Applicant	MAGI Household	Rose	Alice	Kitty	Family Size
	Rose		x	x	
Alice		x	x		2
Kitty			x	x	2

Dennis' Household

Dennis (20) and Dennis' daughter Lynn (3) are in the household. Dennis claims Lynn as a tax dependent. Dennis also claims his other daughter Kitty (1) who lives in the household with her mother.

1. Dennis' household

Does Dennis expect to file taxes? **Yes**

Does Dennis expect to be claimed as a tax dependent? **No**

Dennis' Household is his tax household: Dennis, Lynn and Kitty.

2. Lynn's household

Does Lynn expect to file taxes? **No**

Does Lynn expect to be claimed as a tax dependent? **Yes**

Does Lynn meet any of the tax dependent exceptions? **No**

Lynn's Household is the tax household of the person who claims her as a dependent: Lynn, Dennis and Kitty.

Household Determination

Applicant	MAGI Household	Dennis	Lynn	Kitty	Family size
	Dennis		x	x	x
Lynn		x	x	x	3

Jan's household

Jan (45), her boyfriend Phil, (49), Jan's son Mike (16), Phil's Son Brett (14), Jan and Phil's daughter, Emma (4) are in the household. Jan claims Mike as a tax dependent. Phil claims Brett and Emma as tax dependents.

1. Jan's household

Does Jan expect to file taxes? **Yes**

Does Jan expect to be claimed as a tax dependent? **No**

Jan's Household is her tax household: Jan and Mike. Jan and Phil are not married, so Phil is not included in Jan's household.

2. Phil's household

Does Phil expect to file taxes? **Yes**

Does Phil expect to be claimed as a tax dependent? **No**

Phil's Household is his tax household: Phil, Brett, and Emma. Phil and Jan are not married, so Jan is not included in Phil's household

3. Mike's household

Does Mike expect to file taxes? **Yes**

Does Mike expect to be claimed as a tax dependent? **Yes**

Does Mike meet any of the tax dependent exceptions? **No**

Mike's Household is the tax household of the person who claims him as a dependent: Mike and Jan

4. Brett’s household

Does Brett expect to file taxes? **No**

Does Brett expect to be claimed as a tax dependent? **Yes**

Does Brett meet any of the tax dependent exceptions? **No**

Brett’s Household is the tax household of the person who claims him as a dependent: Brett, Phil, and Emma

5. Emma’s household

Does Emma expect to file taxes? **No**

Does Emma expect to be claimed as a tax dependent? **Yes**

Does Emma meet any of the tax dependent exceptions? **Yes**

Emma is living with two parents, but the parents do not expect to file a joint tax return. See IV.A.3.b. above. Non-filer rules apply.

Emma’s Household: Emma, Jan, Phil, Mike and Brett

Household Determination

	MAGI Household	Jan	Phil	Mike	Brett	Emma	Family Size
Applicant	Jan	x		x			2
	Phil		x		x	x	3
	Mike	x		x			2
	Brett		x		x	x	3
	Emma	x	x	x	x	x	5

Patsy’s household

Patsy (45), Patsy’s daughter Cindy (20), and Patsy’s son Greg (16), are all in the household. Patsy does not expect to file taxes or be claimed as a tax dependent.

1. Patsy’s household

Does Patsy expect to file taxes? **No**

Does Patsy expect to be claimed as a tax dependent? **No**

Patsy’s household is established using the non-filer rules: Patsy and Greg. Cindy is not included in the household because she is not a Medicaid age child or sibling under age 19.

2. Cindy’s household

Does Cindy expect to file taxes? **No**

Does Cindy expect to be claimed as a tax dependent? **No**

Cindy’s household: Cindy

3. Greg’s Household

Does Greg expect to file taxes? **No**

Does Greg expect to be claimed as a tax dependent? **No**

Greg’s Household: Greg and Patsy. Cindy is not included in the household because she is not a Medicaid age child or sibling under age 19.

Household Determination

Applicant	MAGI Household	Patsy	Cindy	Greg	Family size
Patsy		x		x	2
Cindy			x		1
Greg		x		x	2

Whitney’s Household

Whitney (45), Whitney’s sons, Paul (15) and Jason (12) are in the household. Jason receives SSI benefits. Whitney claims both her sons as tax dependents.

1. Whitney’s household

Does Whitney expect to file taxes? **Yes**

Does Whitney expect to be claimed as a tax dependent? **No**

Whitney’s household is her tax household: Whitney, Paul and Jason

2. Paul's household

Does Paul expect to file taxes? **No**

Does Paul expect to be claimed as a tax dependent? **Yes**

Does Paul meet any of the tax dependent exceptions? **No.**

Paul's household is the tax household of the person who claims him as a dependent: Paul, Whitney and Jason.

Although Jason is a SSI recipient and MAGI methodology does not apply when determining his eligibility, he is included in the family size when determining eligibility for another applicant/beneficiary.

Household Determination

Applicant	MAGI Household	Whitney	Paul	Jason	Family Size
Whitney		x	x	x	3
Paul		x	x	x	3
Jason					(SSI recipient)

Sandy's Household

Sandy (45), her husband Ben (46), and their pregnant daughter Samantha (17) are in the household. Sandy, Ben and Samantha do not expect to file taxes nor be claimed as tax dependents.

1. Sandy's household

Does Sandy expect to file taxes? **No**

Does Sandy expect to be claimed as a tax dependent? **No**

Sandy's household is established using non-filer rules: Sandy, Ben and Samantha.

2. Ben's household

Does Ben expect to file taxes? **No**

Does Ben expect to be claimed as a tax dependent? **No**

Ben's Household is established using non-filer rules: Ben, Sandy and Samantha

3. Samantha's household

Does Samantha expect to file taxes? **No**

Does Samantha expect to be claimed as a tax dependent? **No**

Samantha's Household is established using non-filer rules: Samantha, her unborn, Sandy and Ben. Since she is pregnant, the unborn is counted in her household.

Household Determination

Applicant	MAGI Household	Sandy	Ben	Samantha	Family Size
	Sandy	x	x	x	3
	Ben	x	x	x	3
	Samantha	x	x	x +1	4

IV. MAGI Income

This section provides general income guidelines for MAGI.

- A. Establish and evaluate the current and representative estimate of gross earned and unearned income that will be available to the household during the certification period.**
- B. Guidelines of what types of income are countable are outlined in this section.**
- C. Electronic data sources should be used to determine eligibility. Additional information is only requested when eligibility cannot be determined using electronic data sources.**
- D. The agency may not deny or terminate eligibility or reduce the beneficiary's benefits based on information received from electronic data source. The agency must request for additional information to determine eligibility.**

E. MAGI Countable and Non-Countable Income Charts

MAGI Countable Income				
Source	Definition	Earned/ Unearned	Special Base Period & Budget	Verification Sources
Achieving A Better Life Experience (ABLE ACT) <u>Distribution</u>	ABLE Act is a federal program that was signed into law December of 2014. ABLE gives individuals who were determined disabled prior to their 26th birthday, and their families, the opportunity to save for the future and fund essential disability related expenses without impacting eligibility for Medicaid.	Unearned	Any taxable portion of distributions, regardless the amount, is countable income when determining or re-determining MAGI program eligibility.	a. Obtain the prior year's 1040 Tax Form. b. Any amount claimed on line 21 of a tax return and labeled "ABLE" is countable income. The amount is prorated over a 12-month period.

Source	Definition	Earned/ Unearned	Special Base Period & Budget	Verification Sources
<p>Alimony and Spousal Support</p>	<p>Alimony payment received from a former spouse.</p> <p>Income Changes: Alimony court judgement agreements dated on or after January 1, 2019 are non-countable income.</p> <p>Deduction Changes: Alimony court judgement agreements dated on or after January 1, 2019 are not an allowable deduction.</p> <p>Divorce decrees that were finalized <u>prior</u> to January 1, 2019 may be modify by the court. Once the agreement is modified, the alimony income or allowable deductible becomes non-countable.</p> <p>However, if the decree is not changed, the income is counted, and the deduction is allowed.</p>	<p>Unearned</p>	<p>Must enter the court judgement agreement date in NC FAST to determine if the alimony income is countable or non-countable.</p>	<p>Court documents or other records of source.</p>

Source	Definition	Earned/ Unearned	Special Base Period & Budget	Verification Sources
Annuity Payments	A financial product that pays out a fixed stream of payments to an individual.	Unearned		Annuity statement or other records of source.
Bitwage – Virtual Wage	Employers may pay their employee with Bitcoins. The employee may receive their salary in their bank account, cloud saving account, digital currency or a Bitpay debit card.	Earned		Earning statement or other records of source.
Difficulty of Care Payments	A payment when an applicant /beneficiary (a/b) provides care to an individual who has a physical, or emotional handicap and does not live with the individual.	Earned		Form 1099-MISC or earning statement.
Educational Scholarships, Awards, or Fellowships Grants	Scholarships, awards, or fellowship grants used for education purposes are non-countable. The additional income for living expenses is countable income.	Unearned		Verify by a Tuition Statement form (T-1098).

Source	Definition	Earned/ Unearned	Special Base Period & Budget	Verification Sources
Foreign Earned Income	A U.S. citizen or U.S. resident alien who receives earned income from another country.	Earned		Earning statement or other records of source.
Gambling Winnings	Any money the (a/b) wins from gambling or wagering.	Unearned		W-2G or earning statement.
Investment Income/ Ordinary Dividends/ Qualified Dividends	Taxable income, interest and dividends.	Earned		1099 Form or earning statements.
IRA Distributions	Money that is distributed from a/b's IRA.	Unearned		1099 Form-R or financial statement.
Lump Sum Payments (non- recurring)	This is income that is received in a one-time <u>taxable</u> payment and is nonrecurring.	Unearned	Counted only in the month received if taxable; converts to a resource the next month. <u>Not counted if non-taxable.</u>	Use the documents that are provided from the beneficiary.
Net Capital Gains	The amount by which the net long-term capital gain for the year is more than the net short-term capital loss for the year.	Earned	Profit after subtracting capital losses.	Form 1099-B, Form 1099-DIV or federal tax return.
Other Taxable Income	Canceled debts, court awards or jury duty pay not given to an employer.	Earned		Court documents or earning statement.
Pension	A retirement plan that provides monthly income in retirement.	Earned		1099-R, award letter, or earning statement.

Source	Definition	Earned/ Unearned	Special Base Period & Budget	Verification Sources
Rental Income	Income from property owned by the a/b. If the a/b has an ownership interest in property that produces income, the a/b also has a legal interest in the income.	Unearned	<p>1. Count rental income as unearned income if the a/b rents property, machinery, rooms, etc. and rental is not done as a business.</p> <p>2. Count rental income as self-employment if the a/b has a property rental business, rental service, etc.</p> <p>a. Establish gross receipts.</p> <p>b. Subtract allowable operational expenses.</p> <p>c. Project over 12 months to derive gross monthly income.</p>	Form 1099-MISC, federal tax return or other records of source.
Retirement Benefits	Only those that are taxable	Unearned		Form 1099-R or earnings statement.

Source	Definition	Earned/ Unearned	Special Base Period & Budget	Verification Sources
Royalties (Earned)	<p>Royalties include compensation paid to the owner for the use of property, usually copyrighted material (e.g., books, music, and art) or natural resources (e.g., minerals, oil, gravel or timber). Royalty compensation may be expressed as a percentage of receipts from using the property or as an amount per unit produced. Royalties are earned income when they are received:</p> <ul style="list-style-type: none"> a. As part of a trade or business, or b. By an individual in connection with any publication of his/her work. 	Earned	<p>Verify that payments received meet the definition of royalty by examining the agreement between the parties involved or documents in the a/b or financially responsible person's possession. Some documents concerning royalty payments will provide both a gross and a net payment amount. When the difference between the gross and the net figures is due to income taxes withheld or windfall profit tax deductions, use the gross figure when determining amount of income to budget. If the agreement or documents are unclear, unavailable, or informal, contact the company or source of the payment.</p>	<p>Form 1099-MISC, federal tax return or other records of source.</p>

Source	Definition	Earned/ Unearned	Special Base Period & Budget	Verification Sources
Self-Employment Income	Income from being employed in one's own trade, profession, or business; not by an employer. This includes: •Selling recyclables, •Babysitting in one's own home, •Roomer/boarder income, •Farm/Commercial Fishing Income, •Adjusted Gross Income from Taxable Self-Employment.	Earned	<p>1. If the tax return is not available, use record from the previous 12 months if representative.</p> <p>d. Establish gross receipts.</p> <p>e. Subtract all allowable federal self-employment deductions and operational expenses.</p> <p>f. Project over 12 months to derive gross monthly income.</p> <p>2. If in business for less than 12 months, use the provided documents.</p> <p>g. Establish gross receipts.</p> <p>h. Subtract allowable operational expenses.</p> <p>i. Project over countable months to derive gross monthly income.</p>	Self-employment records or federal tax return.

Source	Definition	Earned/ Unearned	Special Base Period & Budget	Verification Sources
Royalties (Unearned)	Royalties are unearned income unless they are received as part of a trade or business, or received by an individual in connection with any publication of his/her work.	Unearned	An outright sale of natural resources by the owner of the land or by the owner of the rights to use of the land constitutes a conversion of a resource. Proceeds from a conversion of a resource are not income. To be considered royalties, payments for the use of natural resources must be received: a. Under a formal or informal agreement whereby the owner authorizes another individual to manage and extract a product (timber or oil) and b. In an amount that is dependent on the amount of the product actually extracted.	Form 1099-MISC, federal tax return or other records of source.
Severance Pay	Payment made by an employer to employee whose employment is terminated independently of their wishes.	Unearned	Count in the month of receipt.	Verification from employer or earning statement.

Source	Definition	Earned/ Unearned	Special Base Period & Budget	Verification Sources
State Directed Care or Self - Directed Care Payments	The payment received by a caregiver from state or federal funding to provide care to a Medicaid beneficiary is countable earned income.	Earned		Form 1099-MISC or earning statement.
Social Security Benefits	Social Security Disability Income (SSDI) and Social Security Retirement, Survivors, and Disability Insurance (RSDI).	Unearned		Electronic sources, Social Security Administration payment documents or federal tax return.
State and Local Income Taxes	Taxable refunds, credits, or offsets of state and local income taxes.	Unearned	Count in the month of receipt.	Federal tax return line 10 on the 1040 Tax form.
Taxable Interest or Tax-Exempt Interest	Taxable Interest is included in the adjusted gross income. Tax-exempt interest is not included in the adjusted gross income.	Earned		Form 1099-INT or federal tax return.
Tribal Gaming Per Capita Payment.	These payments may be Indian Gaming proceeds, Indian Tribal distribution and/or Tribal American distribution.	Unearned	Counted only in the month received; converts to resource next month.	Form 1099-Misc or other records of source.

Source	Definition	Earned/ Unearned	Special Base Period & Budget	Verification Sources
Unemployment Insurance Benefits (UIB)	Public or private income received by an individual as compensation for loss of employment due to layoff, suspension, or firing. It may include additional amounts paid by unions or employers.	Unearned		Electronic sources, payment statement or federal tax return.
Gross Wages/Salary (before taxes are taken out)	Adjusted Gross Income (AGI)Wages, pay advances, attendant care payment, commercial fisherman, contract wages, migrant income, seasonal employment, census income, commissions, sick pay, vacation pay, strike duty, guardianship payments, which is income received as a guardian to take care of dependent, babysitting outside of the a/b's home.	Earned		Electronic sources, pay stubs, employer verifications, records, or federal tax return.

MAGI Non-Countable Income	
Source	Definition
American Indian/Alaska Native Land Payments	Payments derived from American Indian/Alaska Native lands, natural resources, trust settlements or traditional/ cultural activities.
Cash Contribution	Cash support provide by a tax filer to a tax dependent who is not a child of the tax filer (biological, adopted or step)
Child Support	
Difficulty of Care Payments	Caregiver lives with the recipients and receiving Difficulty of Care Payments.
Disaster Assistance/FEMA Payments	Includes federal emergency situation such as disaster, natural catastrophe, or emergency that the President determines as needing federal assistance.
Federal Tax Credits and Refunds	
Foster Care Provider 1915c Payment	
Gifts and Loans	This includes “Go Fund Me” accounts.
Inheritances	
Life Insurance, Accident Insurance, or Health Insurance	
Salary Deferrals	When benefits are provided by an employer for the employee as a contribution or as part of a salary reduction agreement with the employee, the benefit is considered as non-countable earned income. <ul style="list-style-type: none"> • Cafeteria/Flexible Spending • Contributions to 401 (k) • Pre-Tax Retirement Contributions
Special Government Compensation	Includes Payments from Alaska Native Claims Settlement Act, Payments to Victims of Nazi Persecution, Radiation Exposure Compensation Act, Restitution under the Civil Liberties Act of 1988, Relocation/Acquisition Act Payments, Wartime Relocation of Civilian's Law Payments, Agent Orange and allowances paid under the law to Vietnam veterans’ child(ren) born with spina bifida and other birth defects.
State Directed Care or Self-Directed Care Payments	State or federal funds received by a Medicaid beneficiary to pay caretakers for services is countable earned income.
Temporary Assistance to Needy Family (TANF) and Other Government Cash Assistance	A program to help needy families achieve self-sufficiency. Examples of Government Cash Assistance: Housing allowance from the local Housing Authority, Crisis Intervention Program (CIP) voucher payment
Veterans Benefits	
Worker’s Compensation Payments	

V. WHOSE INCOME COUNTS WHEN DETERMINING HOUSEHOLD INCOME

This section explains how to determine whose income counts in the tax-filer or non-filer household.

- A. When using a tax household, do not count income of tax dependents unless they expect to file a tax return.**
- B. When using a non-filer household, if the parent(s) is in the household, do not count the income of the child unless the child expects to file taxes.**
- C. When using a non-filer household, if the parent is not in the household, count income of child under 19 and of all siblings under age 19 for all of them. Also, include income of spouse of the child.**

VI. COUNTING INCOME

The following guide illustrates how to determine whose income counts in the tax-filer or non-filer household. Counting income depends on the type of household (tax or non-filer) and which individual is involved. See chart below for application of the rules.

Counting Income Tax Household

	Tax Filer(s)	Tax Dependent – child of tax filer – does not meet an exception
Tax Household	Count income of tax filer and co-filer spouse. Include live in spouse’s income if not already included in tax HH. Only count income of tax dependents who expect to file a tax return.	Count income of tax filer(s) Count income of the tax dependent applicant, and other tax dependents who expect to file a tax return. Count the income of the tax dependent’s spouse if not included in the tax household.

Counting Income Non- Filer Household

	Tax Dependent – not child of tax filer (non-filer rules)	Adult – age 19 or older	Medicaid age child – under age 19
Non-filer rules	<p>Count income for own household regardless of whether they expect to file taxes and count income of live-in spouse.</p> <p>If the tax dependent has children under age 19 in the household, count income of children under age 19 if they expect to file return.</p> <p>If the tax dependent is under age 19 (see last column for Medicaid age child-under age 19)</p>	<p>Count income of applicant and spouse, if in home.</p> <p>Count income of children in household under 19 only if expect to file return</p>	<p>If parent(s) is not in the household count income for own household regardless of whether they expect to file taxes and count income of live in spouse and live in siblings under age 19.</p> <p>If the Medicaid age child has children under age 19, count income of children under age 19 if expect to file return.</p> <p>If parent(s) is in the household, count the income of the parent(s). Do not count income of the child and siblings under age 19 unless they expect to file a tax return.</p>

VI. MAGI BUDGETING

The budgeting process begins after the household composition has been determined and determining whose income counts. Budgeting is the process of determining a best estimate of income an individual or household will receive. Use prospective budgeting for Modified Adjusted Gross Income (MAGI). Prospective budgeting is a process of determining countable income for the benefit month based on anticipated income expected to be received during the certification period. Also, use MA-3310, Reasonable Compatibility policy to address discrepancy between the self-attested income/resource and income/resource as reported by an electronic data source.

VII. BASE PERIODS

Base periods are the periods of time that are the basis for determining income eligibility.

The base period establishes a set period of time for caseworkers to create a “snapshot” of an applicant/beneficiary’s income and for which income must be verified.

The base period should be an accurate representation of the income the household is expected to have available during the ongoing certification period.

A. Representative Income

Represents the household’s expected income during the certification period.

The following base periods should be used for representative income received:

1. The base period for most income is the month prior to the month of application or redetermination.
2. The base period for spousal support and alimony is the 3 months prior to the month of application or redetermination, if representative.
3. If the income is received annually or from self-employment, the base period is 12 months or the number of months in operation if less than 12 months.

B. Special Base Periods

Certain types of income require special base periods, particularly if the income is not stable or predictable. Refer to MA-3321, MAGI Medicaid/NCHC Income Limits.

C. Non-Representative Income

Income from the base period that is received irregularly, has changed or terminated and cannot be reasonably expected to be available to the household during the certification period.

The following base periods should be used for representative income received:

1. Explore alternative budgeting methods for projecting or averaging income.
2. Determine which budgeting method is the most representative estimate of the household’s countable income over the certification period.
3. Project income using electronic data sources
4. Only ask the applicant/beneficiary to provide verification:
 - a. When electronic data sources are unavailable, and the information is not located in the local agency, or

- b. When income is not reasonably compatible with self-attestation.

D. Retroactive

The 1, 2, or 3 months prior to the application month.

VIII. INCOME BUDGETING

DHB ADMINISTRATIVE LETTER NO: 01-23, CHANGES IN INCOME DURING BASE PERIOD FOR MODIFIED ADJUSTED GROSS INCOME (MAGI) APPLICATIONS AND RECERTIFICATIONS

Most income falls into one of the following three categories below. However, for those rare instances that the income does not fall into one of these three categories, the caseworker should use reason and logic to determine and document calculation of gross income.

The caseworker's goal is to determine a representative amount and frequency of the gross income that is available to the household during their certification period.

A. Ongoing Income

Income that the household has been or expects to receive on regular ongoing bases.

This income can fluctuate across pay periods. The caseworker should use averaging to determine the amount of gross income available to the household for each pay period.

1. Calculation:
 - a. Average the representative income to establish an accurate representation of the income expected to be received each pay period.
 - b. Total the gross income for each pay received during the base period and divide by the total number of pay periods to reach an average income expected to be received during the certification period. Do not round.
 - c. If the base period contains a pay period of \$0 that is representative of the regular ongoing pay use \$0 in your averaging.
 - d. If the \$0 pay is not representative, then do not use that pay period and document the case record thoroughly.
2. The caseworker and/or NC FAST uses the following formulas to convert

income to a monthly amount.

- a. If received weekly, multiply by 4.3
 - b. If received biweekly, multiply by 2.15
 - c. If received semi-monthly, multiply by 2
 - d. If received quarterly, divide by 3
 - e. If received monthly, use the monthly gross
 - f. If received semi-annually, divide by 6
 - g. If received annually, divide by 12
3. Income that was not previously available to the household but is now or will be available to them during their certification period.

Calculation

- a. Use all representative (full) pays received to date to average gross income across pay periods.
- b. If only a partial pay period is available, use the best available information regarding the number of hours, rate of pay, and frequency of pay expected to be received over the certification period.

B. Retroactive Income

1. Count income (new, changed and/or terminated) received during the base period, whether change is an increase or decrease.
2. In situations where electronic data sources cause ineligibility, the actual income must be requested for the 1, 2, and/or 3 months.
 - An application/recertification cannot be denied or terminated based on electronic data source.

IX. 5% INCOME DISREGARD

- A. The 5% income disregard is applied when the individual fails the income test. A 5% income disregard is applied only if an applicant/beneficiary's income exceeds the highest comprehensive Medicaid program income limit for that**

individual.

- B. The 5% income disregard is based on the applicable income limit for the family size.**
- C. Do not apply the 5% income disregard if the individual is eligible for full Medicaid benefits without the disregard.**
- D. The 5% income disregard is applied if income exceeds the NCHC limit.**