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C Income Deductions for MAGI Groups

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[Revised 06/08/2015](#)

Policy

For the groups that use Modified Adjusted Gross Income rules for income eligibility, following certain expenses may be deducted from gross income to determine the amount of income to count. The deductions in this section apply ONLY to the following MA programs:

- Caretaker Relative;
- Pregnant Woman;
- Child;
- Adult; and
- KidsCare

There are three types of deductions for the MAGI groups:

Deduction type	Description
Pre-tax deductions from gross income	Deductions from income taken before taxes are deducted from the income. Common pre-tax deductions include deductions for health insurance premiums, contributions to 401(k) retirement plans, and life insurance premiums.

Adjustments to gross income	Expenses and income deferrals allowed to determine Adjusted Gross Income (AGI) for tax purposes are also allowed when determining income eligibility using MAGI rules.
MAGI 5% FPL Disregard	A deduction equal to 5% of the Federal Poverty Level (FPL) for the size of the income group.

NOTE Pre-tax deductions and adjustments to gross income that occur more or less often than monthly are budgeted the same way as income for MAGI coverage groups. See the table in [MA604D](#) for details.

1) Pre-tax Deductions from Gross Income

Verified deductions taken out of a person's income before taxes are allowed as a deduction from income for eligibility. The amount and the fact that it was taken out before taxes must be verified.

2) Adjustments to Gross Income:

While proof of the expense or cost must be provided, the person does NOT have to file a tax return to get the deduction. Only "adjustments from gross income" are allowed as a deduction. While there are other credits and deductions allowed when filing a tax return, they are not allowed as a deduction from income. The following table gives an overview of each adjustment to gross income that may be allowed for MA:

NOTE The table does NOT include all of the IRS requirements for each adjustment. See IRS Publication 17 for full list of the requirements for each adjustment at <http://www.irs.gov/publications/p17/index.html>

Adjustment type	Description
Educator Expenses	Eligible educators can deduct up to \$250 of qualified expenses paid in the taxable year. The maximum deduction is \$500 for spouses who are both educators and filing jointly.
	These expenses include:

Business Expenses of Reservists, Performing Artists and Fee-Basis Government Officials	<ul style="list-style-type: none"> • Certain business expenses of National Guard and reserve members who traveled more than 100 miles from home to perform services as a National Guard or reserve member; • Performing arts-related expenses as a qualified performing artist; and • Business expenses of fee-basis state or local government officials.
Health Savings Account Deduction	A deduction for contributions made from a person's income to a qualified HSA during the year.
Moving Expenses	Costs of moving to start a business or take a new job. The new workplace must be at least 50 miles further from the person's old home than the old home was from the former workplace. For people without a former workplace, the new workplace must be at least 50 miles from the new home.
Deductible Part of Self-Employment Tax	A deduction for the employer-equivalent portion of self-employment tax.
Self-Employed SEP, SIMPLE and Qualified Plans	A deduction for contributions to a qualified retirement plan for the self-employed and clergy members.
Self-Employed Health Insurance Deductions	A deduction for the amount paid a self-employed person paid for health insurance for him or herself, spouse and dependents.
Penalty on Early Withdrawal of Savings	A deduction for penalties paid for early withdrawal of savings from certain financial accounts.
Alimony Paid	A deduction for payments to or for a spouse or former spouse under a divorce or separation agreement.
IRA Deduction	Contributions made to a traditional IRA during the taxable year may be deducted. The person must have earnings in the year to qualify for the deduction.
Student Loan Interest Deduction	A person may take this deduction if all of the following apply:

	<ul style="list-style-type: none"> • The person paid interest in the taxable year on a qualified student loan; • The person is not married filing separately; • The person's modified adjusted gross income is less than \$75,000 if single, head of household or qualified widow(er), or \$155,000 if married filing jointly; and • The person is not claimed as a dependent on someone else's tax return.
Tuition and Fees	<p>A deduction of up to \$4000 per year for qualified tuition and fees a person pays for him or herself, spouse or dependent.</p> <p>To qualify, the person's modified adjusted gross income cannot be more than \$80,000 per year, or \$160,000 if filing a joint return.</p>
Domestic Production Activities Deduction	<p>A deduction of up to 9% of qualified production activity income from any of the following:</p> <ul style="list-style-type: none"> • Construction of real property in the U.S.; • Engineering or architectural services performed in the U.S. for construction of real property in the United States; and • Lease, rental, license, sale, or exchange of personal property, computer software, sound recordings, and qualified films manufactured, produced or processed completely or mostly in the U.S.; • Sale of electricity, natural gas or potable water produced in the United States.

3) MAGI 5% FPL Disregard:

A customer may qualify for more than one MAGI group. When the customer's counted income is too high to qualify for the MAGI group with the highest income limit, a deduction equal to 5% of the FPL is given.

The following table lists the MAGI 5% FPL Disregard by budget group size:

Number of people in the Budget Group	5% Disregard Amount Effective 4/1/14 to 1/31/15	5% Disregard Amount Effective 2/1/15
1	\$49	\$50

2	\$66	\$67
3	\$83	\$84
4	\$100	\$102
5	\$117	\$119
6	\$134	\$136
7	\$151	\$154
For each additional person, add:	\$17	\$18

Definitions

Term	Definition
Adjustments to gross income	Expenses or deferred income subtracted from gross taxable income to determine a person's Adjusted Gross Income (AGI). Also known as "above the line deductions" because they are listed above the line on the first page of the federal tax return where the AGI is calculated and entered.
Health Savings Account (HSA)	A tax-exempt account that is set up to pay or reimburse certain medical expenses.
Individual Retirement Account (IRA)	A form of http://en.wikipedia.org/wiki/Retirement_plan individual retirement plan that is provided by a financial institution.
Qualified Higher Education Expenses	Include tuition, fees, room and board, and related expenses such as books and supplies. The expenses must be for education in a degree, certificate, or similar program at an eligible educational institution.

Tax Year	Is the same as the calendar year; January 1 through December 31.

Proof

Proof includes but is not limited to:

- Bills;
- Business records;
- Receipts;
- Bank account statements;
- Paychecks or paystubs;
- Current tax returns if the amount is anticipated to be the same; and
- Any other documents that support the expense or adjustment.

Programs and Legal Authorities

This requirement applies to the following programs:

Program	Legal Authorities
Adult	42 CFR 435.4
Caretaker Relative	42 CFR 435.603
Pregnant Woman	
Child	
KidsCare	



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Effective Until 02/04/2016