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614 How to Calculate Income Eligibility Using MAGI

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Policy

Beginning January 1, 2014, Modified Adjusted Gross Income (MAGI) policy is used for the following AHCCCS Medical Assistance (MA) programs:

- Adult;
- Caretaker Relative, including the second six months of Transitional Medical Assistance (TMA);
- Pregnant Woman, including the second 12 months of Family Planning Extension Program coverage;
- Child;
- KidsCare.

To qualify, the counted income of the customer's MAGI budget group minus any allowable deductions cannot be more than the income standard for the MA program and the size of the budget group.

NOTE People living in the same home may have different budget groups and MA categories. Income eligibility is determined for each person based on their budget group and category.

See [MA602](#) for MAGI budget group policy.

See [MA615](#) for the income limits for MAGI groups.

1) Income Standards

The income standards for each coverage group are as follows:

Program	Income Standard

Adult	133% of the FPL
Caretaker Relative	106% of the FPL
Transitional Medical Assistance (TMA) – second 6-month period	185% of the FPL
Pregnant Woman	156% of the FPL
Family Planning Extension Program	156% of the FPL
Child	<ul style="list-style-type: none"> • 147% of the FPL for children under age 1. • 141% of the FPL for children ages 1 through 5. • 133% of the FPL for children ages 6 through 18.
KidsCare	200% of the FPL

2) Deductions from Income

The table below shows the allowable income deductions for MAGI groups ([MA609.C](#)):

Deduction	Amount
Pre-tax deductions from income	Varies
Adjustments to gross income	Varies
MAGI 5% FPL Disregard	An amount equal to 5% of the FPL for the size of the income group.

3) Whose Income is Counted?

In general, the counted income of everyone in the budget group is totaled and compared to the income standard for the size of the budget group. However, the income of children under age 19 and tax dependents are excluded in some situations. See the table below for details:

If the budget group member...	Then exclude the income for...
<ul style="list-style-type: none"> ● Is included in the budget group of his or her natural, adopted, or step parent, and ● Does not expect to have to file a tax return for the current year 	<p>Any budget group that includes both the child AND the child's parent or parents.</p> <p>See <Examples – Excluding Income of Children></p>
<ul style="list-style-type: none"> ● Will be claimed as a tax dependent by someone other than a spouse or parent; and ● Does not expect to have to file a tax return for the current year 	<p>Any budget group that includes both the tax dependent AND the tax payer.</p> <p>See <Examples – Excluding Income of tax dependents></p>

4) Income Eligibility Calculation

The MAGI income eligibility calculation may be a two-part process. If the income is too high using MAGI rules, a second income test is run using Premium Tax Credit rules. The income standard for the second test is 100% of the FPL.

The following steps are used to determine income eligibility for coverage groups that use MAGI:

Step	Action
1	Add up the monthly countable earned and unearned income of all members of the MAGI budget group whose income must be included.
2	<p>To calculate the budget group's total countable income:</p> <ul style="list-style-type: none"> ● Subtract any pre-tax deductions from income. ● Subtract any adjustments to gross income.
3	Compare the total countable income to the income standard for the budget group size and MAGI program.

	<ul style="list-style-type: none"> • If the income is less than or equal to the income standard, STOP. The customer is income eligible. • If income is more than the income standard, continue to Step 4.
4	Subtracted the 5% FPL disregard amount for the budget group size from the remaining income from step 3. See MA609.C.14 for the 5% FPL Table
5	<p>Compare the remaining income from Step 4 to the income standard for the budget group size and MAGI program.</p> <ul style="list-style-type: none"> • If the income is less than or equal to the income standard, STOP. The customer is income eligible. • If income is more than the income standard, continue to Step 6.
6	Add up the countable earned and unearned income of all members of the Tax Filing Group who expect to be required to file a tax return for the current year.
7	<p>Any <i>taxable</i> income listed below that the Tax Filing Group got or expects to get during the current calendar year that was NOT already counted in step 5 is added:</p> <ul style="list-style-type: none"> • Lump sum payments; • Scholarships, awards, or fellowship grants; and • Taxable amounts of payments to American Indians or Alaska Natives from trusts, settlements, property rights, and use of natural resources. <p>NOTE For any payments received less often than monthly, the total amount that will be received for the year will be divided by 12 to get a monthly amount before adding it to the total from step 5.</p>
7	<p>The total monthly income from Step 7 is compared to 100% FPL for the number of people in the Tax Filing Group:</p> <p>If the total monthly income for the Tax Filing Group is less than 100% FPL, the person passes the income test.</p>

Definitions

Term	Definition

Tax Filing Group	The tax payer and everyone claimed by the taxpayer as a dependent.
Child	A person under the age of 19.
Parent	A natural or adoptive parent or stepparent.
Pre-tax deductions	Deductions from income that are 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.
Tax Dependent	A person claimed as a dependent on someone else's tax return. This includes a person who chooses to or must file a tax return of their own.
Taxpayer	<p>A person who:</p> <ul style="list-style-type: none"> • Expects to file a tax return for the current year, and • Will not be claimed as a tax dependent by someone else. <p>NOTE Spouses who file a joint return and are not claimed as tax dependents by someone else are both considered tax payers.</p>

Programs and Legal Authorities

This requirement applies to the following programs:

Program	Legal Authorities
Adult	42 USC 1396u-1(b) and (d)
Caretaker Relative	42 CFR 435.4
Pregnant Women	42 CFR 435.110, 116, 118 and 119

Child	42 CFR 435.603
KidsCare	42 CFR 435.10, 300, 301 and 315 for KidsCare



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