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203.01 Introduction

(Eff. 01/01/14)

Effective January 1, 2014, the Affordable Care Act (ACA) mandates that income counting and budgeting be determined according to Modified Adjusted Gross Income (MAGI) methodology for Pregnant Women (PW), Children (PHC) and Parent Caretaker Relative (PCR) eligibility groups. Income is counted based on the whether income is or is not taxable. MAGI methodology also eliminates existing income disregards and replaces them with a general 5% Federal Poverty Level (FPL) disregard when needed.

203.02 Definitions

(Eff. 01/01/14)

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| Income | Money received by a member of the MAGI household from any source. Income may be classified as either Earned or Unearned. |
| Earned Income | * Wages – All money earned by a MAGI household member through the receipt of salary or commission as an employee; or * Self-Employment Earnings – Income earned directly from one’s own business, trade or profession rather than specified as salary or wages from an employer. |
| Unearned Income | Any income that does not fall into the categories defined under Earned Income. |
| Income Limits | The MAGI household must have net countable income at or below the appropriate categorical standard and the number of individuals in the MAGI household. Income limits are based on family size. (Refer to MPPM 103.03 for categorical standard.) |

203.03 Counting Income

(Rev. 06/01/18)

Applicants who fall under a MAGI category are to be assessed for eligibility using MAGI methodology. This section describes how income is counted for the financial eligibility determination. The basic rule for income is: MAGI income for ALL individuals who are considered part of a MAGI household must be counted unless an individual meets one of the three exceptions listed below (Medicaid Rules Summary and Calculations).

* + 1. Calculations
       1. Included in Calculating Income:
          1. Adjusted Gross Income (AGI)
          2. + Excluded Foreign Income
          3. + Tax Exempt Interest Income
          4. + Non-Taxable Social Security Benefits
          5. = Modified Adjusted Gross Income (MAGI)
       2. Not Included in Calculating Income:
          1. Certain Scholarship and Fellowship Income
          2. Certain Native American Income
          3. Certain Alaska Native Income

Income is budgeted prospectively Countable income is based on the representative income received in consecutive pay periods within 35 days prior to and including the:

* application signature date;
* review signature date;
* date the application/review is received/stamped in the Medicaid office;
* application effective date; or
* date a review is completed in MEDS (the Act on Decision date)/Cúram.

The income receipt date – not the pay period ending date is used to determine countable income.

203.04 Income Calculation

(Eff. 01/01/14)

The following income calculation rules will only apply to members of the MAGI household as determined in MPPM Chapter 202. Each individual in a household is assessed separately. Only the income of individuals who fall into an exception will be exempt from the income calculation.

203.04.01 Individuals Whose Income Is Counted

(Rev. 11/01/22)

Follow the steps detailed below to determine the Household Income.

Step 1: Determine the Medicaid/CHIP Household Income for Each Household.

Determine the sum of each eligible household member’s MAGI-based income. An eligible household member is one who does not fall under an exception, noted below in Step 2. Apply the following income rules:

* An amount received as a lump sum is counted as income only in the month received.
* Scholarships, awards, or fellowship grants used for education purposes (such as tuition, textbooks, etc.), but not for living expenses, are excluded from income.
* Certain distributions, payments and student financial assistance for American Indians/Alaska Natives are excluded from income. See SC MPPM 203.07.01.
* Household income equals the sum of the MAGI of every non-excepted member of the individual’s household.
* If the parent is a non-tax filer/dependent, his/her income is counted only for the household consisting of his/her spouse and any children living with that parent.

The income of a stepparent is counted if the stepparent lives in the MAGI household.

Note: For purposes of Medicaid and CHIP eligibility, the above rules apply regardless of the rule applied for purposes of the Marketplace/APTC eligibility.

Step 2: Determine if a Household Member Is Excepted from Income Counting

Consider each exception for all household members.

First Exception – Is the individual’s parent in this MAGI household?

* + If yes – is the individual expected to be required to file a tax return? (i.e., is the individual’s annual income expected to exceed the minimum threshold below which an individual may opt not to file a tax return)
    1. If yes, the individual’s income must be included in this MAGI household’s total MAGI income.
    2. If no, the individual’s income should NOT be included in this MAGI household’s total MAGI income.
  + If no, the individual’s income must be included in this MAGI household’s total MAGI income unless another exception applies.

Second Exception – Is the individual the tax dependent of someone in this MAGI household who is not the individual’s spouse or parent?

* + If yes – is the individual expected to be required to file a tax return?
    1. If yes, the individual’s income must be included in this MAGI household’s total MAGI income.
    2. If no, the individual’s income should NOT be included in this MAGI household’s total MAGI income.
  + If no, the individual’s income must be included in this MAGI household’s total MAGI income unless another exception applies.

Third Exception – Is the individual a married minor?

* + If yes –is the individual expected to be required to file a tax return?
    1. If yes, count the income of the married minor and all of his/her tax dependents.
    2. If no and the married minor is a non-filer or a tax-dependent) then count the income of the married minor and the income of his/her (i) spouse, (ii) children, and/or (iii) parents, if living in the same household.
  + If no, evaluate above exceptions to determine if income must be counted, unless:
    1. The individual is a parent under age 19 who is applying on his/her child’s behalf.

Fourth Exception – Is the individual a minor parent?

* + If yes – is the individual expected to be required to file a tax return?
    1. If yes, the minor’s income is deemed to the minor parent and any individuals filed as a tax dependent by that minor parent.
    2. If no (the minor parent will be a non-filer or a tax-dependent), the minor parent’s income is deemed to only him/herself, and any children living with that minor parent.
  + If no, the individual’s income must be included in this MAGI household’s total MAGI income unless another exception applies

The chart below indicates how to treat the income of various individuals for eligibility determination.

| **INDIVIDUAL** | **SPECIAL INSTRUCTIONS** |
| --- | --- |
| Dependent Child in the home not required to file a tax return | The earned income of a Dependent Child who is in the MAGI household is excluded unless the parent is not included in the household. |
| Dependent Child in the home required to file a tax return | The earned income of a Dependent Child who is in the MAGI household is included if the child is required to file a tax return. |
| Parent(s) in the home | All income must be counted unless specifically excluded. |
| Parent absent due to military obligation | Military pay is counted as earned income for the month intended. Clothing Maintenance Allowance (CMA) is deducted from monthly gross earned income. |
| Caretaker relative other than the parent(s) of the child(ren) | Count income if the needs of the individual are included, unless specifically excluded. If married, spouse of the caretaker relative (if living in home) must be included in MAGI household. |
| Stepparent in home, child(ren) in common | Count income of stepparent |
| Stepparent in home, no child(ren) in common | Count income of stepparent |
| Stepparent in home, each parent had own child(ren), no child(ren) in common, | Count income of stepparent |
| Ineligible or unverified alien/ citizenship status | Count the needs and income, of the non-citizen parent as well as the needs of the non-citizen siblings. If not legally responsible, disregard income and needs. The unverified alien member is not eligible for Medicaid. |
| Parent or child who fails to meet citizenship and/or identity requirements | If parent/child fails to meet requirements for citizenship and/or identity, include parent/child’s needs and income; however, the parent/child is not eligible for Medicaid. |

If an eligibility specialist must budget manually, use the procedure detailed below to determine the Household Income based on requested documentation. The eligibility specialist must use the Reasonable Compatibility standard as defined in MPPM 203.04.02A.

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| **Procedure to Determine Countable Monthly Income** |
| **MEDS**  See Section 203.04.01 B (below) for MAGI Workbook instructions.  **CÚRAM**   1. Establish a 35-day window prior to and including the:  * application signature date; * review signature date; * date the application/review is received/stamped by the agency; * application effective date; or * date a review is completed in MEDS (the Act on Decision date)/Cúram.  1. Evaluate the available income documentation dated within the 35-day window. Determine countable income using the most recent consecutive pay periods provided (four weeks for weekly; two pay periods for bi-weekly and semi-monthly; one pay period for monthly), unless one or more of those paychecks is determined not to be representative, for example, significantly higher or lower than usual. If the income is not representative, refer to MPPM 203.04.02E for budgeting procedures. 2. Add the representative weeks of pay. 3. Divide the total income by the number of representative pay dates to get the average income per pay date. 4. Multiply the average income per pay date according to the frequency of receipt as follows. Drop all numbers after the penny, and do not round. 5. Multiply the average weekly income or payment by 4.33. 6. Multiply the average bi-weekly income or payment by 2.16. 7. Multiply the average semi-monthly income or payment by 2. 8. Count income or payments received on a monthly basis in total.   The total of the above amounts is the monthly gross income. |

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| **Example:**  Bobby Flay works at Hamburgers-R-Us. He files an application on February 27 and provides the following pay stubs for the last four weeks:  $253.23 February 6  $265.25 February 13  $235.38 February 20  $245.64 February 27  Note: It would also have been acceptable if he had provided pay stubs for January 30, February 6, February 13, and February 20.  His monthly gross earned income is computed as follows:  $253.23 + $265.25 + $235.38 + $245.64 = $999.50  $999.50 ÷ 4 = $249.87~~5~~ Drop the 5 in .875 and use $249.87 in the next step.  $249.87 x 4.33 = $1,081.937 Drop the 7 in .937. Countable income is $1081.93. |

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| **Procedure to Determine if a Dependent is Required to File Income Taxes** |
| 1. Compare the dependent’s yearly taxable income to the IRS Minimum Threshold to File a Tax Return chart for the most recent tax year. Refer to MPPM 103.15.    1. Note: Do not include the dependent’s Social Security income when comparing total income to the IRS minimum threshold. 2. Is the dependent’s taxable income greater than or equal to the yearly taxable income amount for the taxable year?    1. If Yes – the dependent’s income should be included in the MAGI income determination. If the child is receiving Social Security benefits (SSA), the SSA income would also be included in the income determination.    2. If No – the dependent’s income should not be included in the MAGI income determination. If the dependent is receiving Social Security benefits (SSA), the SSA income would also not be included in the MAGI income determination. |
| **Examples:**   1. A dependent is listed on an April 2020 application with an attested earned income of $1200 per month. The dependent also receives $600 monthly in Social Security (SSA) benefits. The worker verifies the attested income by Person Composite Service (PCS).   $1200 monthly taxable income X 12 months = $14,400 yearly taxable income.  $14,400 > $12,200 (2019 Tax Filing Threshold)  Since $14,400 is greater than the Tax Filing Threshold, the worker will include the dependent’s $1200 monthly earned income and $600 SSA income into the MEDS budget workbook for the household.   1. A child is listed on a March 2020 application with an attested earned income of $900 per month. The child also receives $600 monthly in Social Security (SSA) benefits. The worker verifies the attested income by Person Composite Service (PCS)   $900 monthly taxable income X 12 months = $10,800 yearly taxable income.  $10,800 < $12,200 (2019 Tax Filing Threshold)  Since $10,800 is less than $12,200, the worker will not include the child’s earned income or the child’s SSA income into the MEDS budget workbook for the household.   1. A child is listed on a February 2020 application with an attested earned income of $500 per month. The worker checks Person Composite Service (PCS) for income verification and finds the following:   Q1/2019 income = $4000/quarterly  Q2/2019 income = $4500/quarterly  Q3/2019 income = $4000/quarterly  Q4/2019 income = $1500/quarterly  The child’s total 2019 income is $14,000. However, the worker would compare the attested income against the most recent quarter. $500/monthly is reasonably compatible with the Q4 income of $1500/quarterly.  $500 x 12 months = $6000/yearly.  $6,000 < $12,200 (2019 Tax Filing Threshold)  Since $6000/yearly is less than the $12,200 yearly tax filing threshold for 2019, the child’s income would not be counted in the household income calculation.   1. A child is listed on a February 2020 application with an attested earned income of $1500 per month. The worker checks Person Composite Service (PCS) for income verification and finds the following:   Q1/2019 income = $0/quarterly  Q2/2019 income = $0/quarterly  Q3/2019 income = $1500/quarterly  Q4/2019 income = $4500/quarterly  The child’s total 2019 income is $6000. However, the worker would compare the attested income against the most recent quarter. $1500/monthly is reasonably compatible with the Q4 income of $4500/quarterly.  $1500 x 12 months = $18,000/yearly.  $18,000 > $12,200 (2019 Tax Filing Threshold)  Since $18,000/yearly is more than the $12,200 yearly tax filing threshold for 2019, the child’s income would be counted in the household income calculation. |

203.04.01A Income Computation Methods

(Rev. 04/01/15)

Applications which are processed in CÚRAM for MAGI will be automatically budgeted in the system and will not require a manual budget.

The Electronic Budget Workbook must be used to determine Medicaid eligibility for all MAGI categories in MEDS and when manual eligibility is used in CÚRAM. Use the version that applies the income and resource limits that are/were in effect in the month for which eligibility is being determined. For example, if Medicaid eligibility is being determined for the month of March, use the Budget Workbook that uses the income and resource limits effective for March. If Medicaid eligibility is being determined for the month of September, use the Budget Workbook that uses the income and resource limits effective for September.

If the application was received:

* Between March 1, 2014 and February 28, 2015 then use the March 2014 MAGI Workbook.
* On or after March 1, 2015, use the March 2015 MAGI Workbook.

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| **Procedure for Determining Monthly Income under the MAGI Workbook** |
| The MAGI workbook is to be used to determine eligibility under MAGI rules.  **HH Summary Tab**   * Enter the names and ages of the applicant and his or her household. Once the remaining workbook tabs are completed, this page will automatically tabulate and summarize eligibility.   **P1 – 12 Tabs**   * For each individual listed, complete the corresponding workbook page. The name and age will be automatically populated. * Designate the individuals:   + General Information:     - Gender       * If female, indicate (i) whether pregnant, and (ii) if pregnant, the number of children expected.     - Whether the individual lives in the household applying for coverage   + Income and Deductions     - Fill in all fields as applicable.     - Refer to MPPM [203.11](#S_203_11) for the list of allowable IRS deductions   + Tax Information     - Indicate if the individual expects to file taxes. If       * Yes: indicate whether the individual expects to be claimed by anyone else as a dependent.         + Note: Spouses filing jointly will answer “no”, as they are each considered the tax-filer.         + If yes, indicate:   (i) who is claiming the Individual;  (ii) if the individual expects to be claimed as a tax dependent of someone other than a spouse or natural, adopted, or stepparent;  If yes, indicate whether:  Is Individual married and living with his/her spouse?,  Does Individual have natural, adopted, and/or step children under age 19 living with her/him in the home?,  Is Individual under age 19 and living with natural, adoptive, and/or step parent(s)?, or  Is Individual under age 19 and living with natural, adoptive, and/or step siblings under age 19?  If no, indicate whether: is Individual a child under age 19 living with both parents but the parents do not expect to file a joint tax return.  If yes, continue to questions (1) - (4) listed above.  If no, determine if Individual is a child under age 19 who expects to be claimed by a non-custodial parent.  If yes, continue to questions (1) - (4) listed above.  If no, determine if Individual is married and living with a spouse.  At this point a determination of the Individual’s household will be made automatically.   * + - * No: indicate whether the individual expects to be claimed as a tax dependent.         + If yes, indicate: (i) who is claiming the individual and (ii) whether any of the following exceptions apply   (a) Whether individual expects to be claimed as a tax dependent of someone other than a spouse or a natural, adopted, or stepparent  If yes answer questions (1)- (4) listed above  If no, continue to (b)  (b) Is Individual a child under age 19 living with both parents but the parents do not expect to file a joint tax return?  If yes, questions (1)- (4) listed above  If no, continue to (c)  (c) Is Individual a child under age 19 who expects to be claimed by a non-custodial parent?  If yes, questions (1)- (4) listed above If no, continue to (d)  (d) Is Individual married and living with a spouse?  At this point a determination of the Individual’s household will be made automatically.   * + - * + If no, answer questions (1) – (4) listed above * Family Relationships   + Indicate how (i) each household-member listed is related to the Individual; (ii) whether, if prompted, the Individual is a caretaker relative of the named household member; and/or (iii) who is expected to claim that household-member as a dependent.     - Note: In cases where household members have more than one relationship to one another, list the individuals’ closest relationship. *E.g. In the scenario below, Al is both Dan’s father and his step-grandparent. In the workbook, the relationship will be categorized as parent/child because it is the closer degree of connection. Additionally, Bette will be categorized as Dan’s step-parent rather than his Grandmother.*      * Once the required fields are filled out for all household-members, the workbook will automatically determine eligibility under both the current and MAGI rules.   + First determine what the household member(s) is/ are eligible for under the current rules. If ineligible, review what program(s) the household member(s) is/ are eligible under MAGI criteria.   + Note: if an individual is only eligible under MAGI, he or she will not begin receiving benefits until January 1, 2014. |

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| **Example:** Jane applies for PCR on January 8, 2014. She is requesting retroactive coverage for the months of November and December 2013. The 2013 budget workbook must be used to determine her eligibility. The 2014 MAGI Workbook is used to determine eligibility for January, the application month; and 2013 Workbook must be used to determine eligibility for November and December, the retroactive months. |

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| **Exceptions**  The Electronic Budget Workbook will not complete eligibility determinations for the following categories and/or situations and must be budgeted manually:   * Foster Care * Minor Children applying for ABD |

203.04.02 Verifying Income

(Eff. 01/01/14)

The following income rules will be used when determining Medicaid eligibility for MAGI categories.

203.04.02A Reasonable Compatibility

(Rev. 11/01/22)

Effective April 17, 2020, South Carolina no longer applies a 10% reasonable compatibility threshold when determining eligibility.

The Reasonable Compatibility standard is used to determine eligibility for all MAGI categories, except when processing a DHHS Form 400, Application for Medicaid Family Planning Coverage. (MPPM 204.05.01)

Reasonable Compatibility under MAGI categories should be addressed as follows: (See figures below)

* When self-reported income is below the income standard and electronic data source above, request an explanation for the difference.
* When the self-reported income is below the income standard and electronic data source is below, then the self-reported income will be used to budget the case.
* When the self-reported income is above the income standard and the electronic source is also above, use the self-reported income and allow adverse actions.
* Examples of a reasonable explanation include but are not limited to an individual who lost a job, changed jobs, was absent from his job due to illness or injury, or had hours reduced. An eligibility specialist must consult with their immediate supervisor if they are unsure if a given explanation is reasonable or not. The supervisor may submit a Service Manager ticket as a Policy Question if they are unsure if the explanation is reasonable.
* If the during the collateral call process the individual states the income verified by the electronic data source is correct, then use the electronic data source income to budget the case.
* If the individual is unable to provide a reasonable explanation, send a DHHS Form 1233 to request documentation.

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| **Reasonable Compatibility Scenarios**  John Smith is a parent applying for PCR. He reports an income that is 55% FPL. When verifying his income, he has income at 60% FPL.   * + Medicaid Eligibility level = 62% FPL   + Applicant’s self-reported income = 55% FPL   + Applicant only reports earnings from employment   + Data Sources = SCDEW Quarterly Wage (past 3 months) = 60%   + No effect on eligibility = reasonably compatible     1. Determine Medicaid eligibility - Eligible   Sue Smith is a parent applying for PHC. She reports an income that is 216% FPL. When verifying her income, she has income at 221% FPL   * + Medicaid Eligibility level = 208% FPL   + Applicant’s self-reported income = 216% FPL   + Applicant only reports earnings from employment   + Data Sources = SCDEW Quarterly Wage (past 3 months) = 221%   + No effect on eligibility = reasonably compatible     1. Determine Medicaid eligibility - Ineligible |

203.04.02B Reported Income

(Rev. 11/01/22)

The following procedures for verifying income must be used. Effective April 17, 2020, South Carolina requires verification of nominal income of less than $300.

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| **Procedure for Income Verification of Reported Income** |
| If an applicant/beneficiary reports income on an application or review form, the reported income must be accepted. If the Electronic Data Source (EDS) matches the reported income, take the following steps:   1. If the reported income is below the income eligibility standard:    1. The reported income and electronic verification are evaluated to determine if it is reasonably compatible with the income eligibility standard for the MAGI household.       1. If the income is reasonably compatible or when both the reported and verified income are found to be below the FPL, the reported income is used as verified income. Additional verification is not requested.       2. If the reported income is not reasonably compatible with the income eligibility standard and the EDS displays an income above the income eligibility standard, request an explanation from the applicant/beneficiary. If a reasonable explanation cannot be provided, documentation will be requested.    2. If a reported income type does not have an EDS in Cúram, verification will be requested. Refer to the table below for the types of income.    3. If reported income is zero and there is no EDS record in Cúram, check electronic data sources in Person Composite Service (PCS).       1. If there is a current EDS record for any member of the household, request an explanation.       2. If there is no current EDS record for any member of the household, budget zero income. 2. If the reported income is above the income eligibility standard, accept the reported income and deny the application. 3. If both the reported income and the electronic verification are above the income eligibility standard, accept the reported income and deny the application.   Sources of Electronic Verification:   1. Person Composite Service Wage Verification 2. Employment Security Commission (ESC) Wage Match 3. CHIP Data (SNAP/TANF) 4. SCDEW   Acceptable Sources of Documentation: **(To be requested only if an electronic verification source and/or income does not match the reported source and/or income.)**   1. DHHS Form 1245, Wage Verification 2. Pay Stubs 3. Employer’s Records 4. Collateral Calls 5. Federal Income Tax records (Self-employment only)   When multiple forms of income verifications are available, the eligibility worker must accept the verification in the following order:   1. Paystubs 2. DHHS Form 1245, Wage Verification 3. Employer’s Records/Signed statement from the employer 4. Federal Income Tax Records (Self-Employment only) 5. Person Composite Service (PCS) Verification 6. Employment Security Commission (ESC) Wage Match 7. CHIP Data (SNAP/TANF)   Any electronic data source where the history is not kept in Cúram should be uploaded to OnBase. You must also document in System of Record Notes Screen and in OnBase on the Documentation Template what method of verification was used for the determination. |

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| **Income Types without an Electronic Data Source in Cúram** | |
| * Alimony and Maintenance income * American Indian Alaska Native income * Dividend income * Foreign Income * Income From IRS * Net Self Employment Income * Pension Retirement income * Interest income * Prizes/Awards income * Rental or Royalty income | * Scholarship Payments income * Social Security Benefits income * Other income * Capital Gains income * Sum Amount income * Exempt Interest income * Mortgage Note income * Military Allotment income * Farming/Fishing income |

203.04.02C Calculating Prospective Income from a New Source

(Rev. 05/01/2017, Eff. 10/01/16)

If a beneficiary (i) begins receiving income from a new source after a job change or a period of no income and (ii) has received at least one check from the new source, then a best estimate of monthly income should be documented in the case record. It is recommended that the DHHS Form 1221, Medicaid Contact Report, or the MEDS/Cúram Notes Screen be used for this purpose. If the applicant/beneficiary (i) has started a new job but (ii) has not received a check in the four weeks prior to the application/review, then the case must be budgeted as zero income. The Eligibility Worker should follow-up once the individual has received a check to re-budget the case.

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| **Procedure for Calculating Prospective Income from a New Source** |
| Follow the steps listed below to calculate Prospective Income from a New Source:  * + - 1. If the income is earned, use available pay stubs or contact the employer if pay stubs are not available to verify:   + Salary (weekly, bi-weekly, monthly, etc.); or   + Hourly pay rates and the number of hours the budget group member is expected to work each pay period.  1. If the income is unearned, use available verification (for example, an award letter or a copy of check) or contact the income source to verify the following:  * Estimated amount; and * Frequency of receipt.   3. Follow the calculations listed below to determine monthly income. Drop all numbers after the penny, and do not round.   * Multiply the average weekly income or payment by 4.33. * Multiply the average bi-weekly income or payment by 2.16. * Multiply the average semi-monthly income or payment by 2. * Count income or payments received on a monthly basis in total.   The total of the above amounts is the monthly gross income. |

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| Example: John and Mary apply for Medicaid for themselves and their 2 children. He just started a job at Moe’s Mechanics. He has received one paystub with a gross income of $250.00. He is expected to be paid weekly. John’s prospective income is budgeted as follows:  $250.00 x 4.33 (weekly average) = $1082.50 (John’s countable monthly income) |

203.04.02D Calculating Prospective Income from a Terminated Source

(Rev.03/01/19)

If the household reports income from a terminated source, monthly income should be determined based on actions in the following chart:

| REPORTED | TREATMENT |
| --- | --- |
| Application/Re-Application Month | * Do not count terminated income. Project income for the application/re-application month without counting the terminated income. * Terminated income is income from a source that has already ended, or ends during the application process, even if the household member has not yet received the last pay. For example, the applicant’s last day of work was 9/15. The application date is 9/20. Last pay to be received is 10/5. This is terminated income. * If the household member goes back to work in the same month that he/she receives the terminated income, project income for the application/re-application month using only the new source of income. Refer to MPPM 203.04.02C on how to calculate prospective income from a new source. |
| Re-determination | * Do not count terminated income during the re-determination process. A terminated source of income will not affect the month of report. |
| Within a Certification Period | * Do not count terminated income within a certification period. A terminated source of income will not affect the month of review. |

Note: If retroactive coverage is requested, the actual gross countable income received in the retroactive months is budgeted.

203.04.02E Non-Representative Income

(Rev. 01/01/23)

Eligibility specialists must determine if the income presented and collected during the application or review process is representative of the income received during the last four weeks. Representative means that there are no anticipated changes, and the documented income represents the applicant’s/beneficiary’s average income.

If a pay period in the last four weeks is unusually higher or lower, the eligibility specialist must:

* Conduct a collateral call to the applicant/beneficiary to discuss any discrepancies regarding the non-representative pay,
* Conduct a collateral call to the employer, if necessary,
* Determine how often such occurrences can be expected, and
* Document the decision in the case record as to whether or not to count the unusual amount in the budgeting process.

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| **Example #1:** Applicant/beneficiary receives bi-weekly income. 1st check is for $1000.00. The 2nd check is for $1500.00. Applicant/beneficiary states that the last check was higher because of overtime received in the last three weeks. Applicant/beneficiary states that no additional overtime is expected to be received.  Eligibility specialist would verify that $500.00 is the overtime amount and count the base pay of $1000.00 as the gross income in the budgeting process.  **Example #2:** Applicant/beneficiary receives weekly income. 1st check is $400.00. The 2nd check is $450.00. The third check is $520.00, and the 4th check is $580.00. Applicant/beneficiary states that each check is higher because they will be working overtime for the next three months.  Eligibility specialist would accept applicant/beneficiary’s statement and count all weeks of income in the budgeting process.  **Example #3:** Applicant/beneficiary receives weekly income. 1st check is $350.00. The 2nd check is $195.00. The third check is $325.00, and the 4th check is $335.00. Applicant/beneficiary states that the 2nd check is unusually lower because of missing a couple of days of work, due to illness.  Eligibility specialist would disregard the 2nd check and document the reason. The remaining three paychecks would be counted in the budgeting process. The eligibility worker will then divide the gross income by 3 to get the weekly average.  **Example #4:** Applicant/beneficiary is employed by the school district. Applicant/beneficiary is on a 12-month contract with an annual salary, but only works 9 months out of the year. Applicant/beneficiary applies for PHC in May. Applicant/beneficiary states that the income from the remaining three months is received at the end of the school year (May), which happens to be the application month.  Since income received in the application month is not representative of the applicant’s income, the eligibility specialist will verify if the applicant/beneficiary is on an annual contract and how the applicant/beneficiary is paid. When it is verified that the applicant/beneficiary is paid on a 12-month contract, the eligibility specialist will divide the annual income by 12, to determine the countable monthly income. If the eligibility specialist is unable to verify that the applicant/beneficiary is on an annual contract and paid in a nine-month period, the income will be budgeted as being received monthly. |

203.04.02F Income Verification Sources

(Rev. 06/01/13)

Listed below are some ways that may be used to verify income.

| **INCOME TYPE** | **SOURCES OF VERIFICATION** |
| --- | --- |
| Earned | [DHHS Form 1245 ME](http://medsweb.clemson.edu/EligibilityForms/FM%201245%20ME.pdf) - Wage Verification;  Wage stubs;  Employer’s records;  TheWorkNumber (MPPM Chapter 104, Appendix DD);  Verify Direct (MPPM Chapter 104, Appendix II)  Federal income tax records (self-employment only) |
| Self-employment | Most recent federal income tax records;  Current business receipts/records/books |
| Educational loans/grants/scholarships | Loan/repayment agreement;  Receipt/statement from person making the loan;  Award letter |
| Loans/cash contributions | Loan/repayment agreement;  Copy of check;  Contribution statement  Third-party statement;  Receipt/statement from creditors |
| Child support/alimony | Absent parent’s statement;  Check/money order;  Court records |
| Lump sum payments | Copy of check;  Bank statements;  Award letter;  Statement from agency, organizations, companies;  Receipts |
| Social Security/SSI/Railroad Retirement benefits | Award letter;  BENDEX (SEVS);  Note: The countable gross income is shown in the Net Monthly Benefit Amount (MBC) field. Do not use the Gross Amount Payable (MBA) field.  SDX;  Contact with SSA or Railroad Retirement Board |
| Unemployment benefits | Award letter;  Employment Security Commission;  IEVS;  ESC Wage Inquiry in MEDS / CÚRAM |
| Veterans’ (VA) benefits | Award letter;  Contact with VA officials |
| Workers’ Compensation | Attorney’s statement;  Claims Adjuster’s statement;  Check;  Industrial Commission award letter;  IRS match;  Contact with employer |

203.04.02G Requesting Missing Information

(Eff. 01/01/14)

If a DHHS 1233 ME, Medicaid Eligibility Checklist, is used to request income verification, request the income received four (4) weeks prior to the application/review receipt date.

203.05 Budget Period

(Eff. 01/01/14)

1. For Applicants, eligibility is based on current monthly income.
2. For Beneficiaries, continued eligibility is based on projected income for the remainder of the calendar year.
3. For Applicants and Beneficiaries, account for reasonably predictable increases and decreases in income. E.g. seasonal workers’ high- and low- earning months will be averaged to form projected budget for the remainder of the year.

203.06 Examples

203.07 Sources and Treatment of Income

203.07.01 MAGI Income Chart

(Rev. 08/01/23)

The following chart is a summary of the treatment of various types of income.

| **INCOME** | **COUNTED OR NOT COUNTED IN INCOME COMPUTATION** | **SPECIAL TREATMENT** |
| --- | --- | --- |
| Advances on travel | Not Counted |  |
| Advances on wages | Counted | Count as income in the year received. |
| Agriculture payments | Counted | Count total amount (annualize for self-employed BG). |
| Alaska Native Settlement Act and Maine Indian Claims Settlement Act of 1980 | Not Counted |  |
| Alimony (spousal support) received | See Special Treatment | Refer to [Alimony/Spousal Support](#Alimony) at the end of this table |
| Annuities | Counted |  |
| Bereavement Pay | Counted | Treated the same as Jury Duty, Vacation Pay as listed on pay stubs. |
| Blood (sale of) | Counted | If individual received 1099, then they are required to report. |
| Bonuses | Counted | Count as income if reasonably anticipated. |
| Capital Gains (from sale of self-employment goods or equipment) | Counted |  |
| Capital Gains (other) | Counted |  |
| Cash contributions | Counted | Count available cash support provided by tax filer to tax dependent. Self-report of amount will be accepted. |
| Cash gifts | Not Counted |  |
| Charitable donations (based on need from private non-profit charitable organizations) | Not Counted |  |
| Child Support Received | Not Counted |  |
| Dependent Allocation | Not Counted | Income allocation from a parent residing in a nursing home is excluded from the child’s income. |
| Disaster Relief and Emergency Assistance Amendment of 1988 payments | Not Counted |  |
| Dividends | Counted |  |
| Earned Income Tax Credit | Not Counted |  |
| Educational loans, grants, scholarships and benefits:  - BEOG or Pell Grants  - Residential Cúram Scholarships  - Federal Supplemental Educational Opportunity Grants  - State Student Incentive Grants  - Federal Direct Student Loans  - Federal Perkins Loans  - Federal Work Study Funds  - TRIO Grants  - Robert Byrd Honors Scholarship Program  - College Assistance Migrant Program  - High School Equivalency Program  - National Early Intervention Scholarship and Partnership  - Tribal Development Assistance Revolving Loan Program  - Bureau of Indian Assistance | Not Counted | Loans for educational purposes, but not living expenses, are excluded. |
| Family Independence  (FI) stipends | Not Counted |  |
| Farm income | Counted |  |
| Federal Disaster Fund to Farmers | Not Counted |  |
| Foster Care payments (including accelerated board payments) | Not Counted | In most cases this is not counted; however, must include “difficulty of care” payments if caring for more than 10 individuals under 19 or five individuals 19 and older |
| Garnished income | Counted |  |
| Gifts | Not Counted |  |
| Governmental rent/housing subsidies | Not Counted |  |
| Grand River Band of Ottawa Indians Fund | Not Counted |  |
| Home Energy Assistance payments | Not Counted | Payments are excluded if certified by the Governor’s Office of Economic Opportunity as being based on need. |
| Housing and Urban Development (HUD) payments | Not Counted |  |
| In kind income | Counted | In kind compensation and fringe benefits are considered countable income. |
| Income Maintenance Insurance (including disability insurance) | Counted |  |
| Income Tax Refunds | Not Counted | Refunds and advance payments related to Earned Income Tax Credits |
| Indian Claims Commission Payments to the Federated Tribes and Bands of the Yakima Indian Nation or the Apache Tribe of the Mescalero Reservation | Not Counted |  |
| Interest, dividends, royalties, government-sponsored payments | Counted |  |
| Irregular or infrequent income | See Special Treatment | Treat as lump sum |
| IRA distributions | Counted | Treat as lump sum in month received |
| Jury Duty | Counted | If the individual is required to turn over income to employer, it is also a deduction calculated in Adjusted Gross Income. |
| Job Corps | Counted |  |
| Loans (Applicant/Beneficiary is the borrower) | Not Counted |  |
| Loans and Promissory Notes (Applicant/Beneficiary is the lender) | Counted | The full amount of any received payment is counted as income. |
| Military payments | Counted | Count basic pay, special pay, bonus pay, and other incentive pay. Do NOT count combat zone pay, death, family, and living allowances, or in-kind military benefits. |
| National and Community Service Trust Act payments for AmeriCorps USA, AmeriCorps Vista, the Senior Corps, etc. | See Special Treatment. | Count the living allowance (stipend) as earned income  If not, count as unearned income. Exclude other service and awards as in-kind benefits. |
| Non-household or  Non-BG member income | See Special Treatment. | Count any portion the non-member provides to the BG. Exclude unless the income belongs to a sanctioned parent living in the home. |
| Non-recurring lump sum | See Special Treatment. | Treat as income in the month received. Retroactive SSI and FI payments are excluded. |
| Payments for Indian tribes | Counted | Exclude income received by individual Indians that is derived from interests in trusts. |
| Payments to protective payee | Not Counted | Do not count as income to the protective payee, but as income to the individual to whom the payment is due. |
| Plan for Achieving Self Support (PASS) amounts necessary under Title XVI of the Social Security Act | Not Counted |  |
| Pensions | Counted |  |
| Personal effects | Not Counted |  |
| Personal property (sale of) | Not Counted | Exclude as income. Not counted unless required to report as a capital gain. |
| Radiation Exposure Compensation Act Payments | Not Counted |  |
| Recoupment | Counted |  |
| Red Lake Band of Chippewa Indians Income Awarded | Not Counted |  |
| Reimbursements | Not Counted |  |
| Relocation Assistance payments to Navajos and Hopis | Not Counted |  |
| Rental income | Counted | Engaged in less than 20 hours/week: Deduct cost of doing business, if appropriate.  Engaged in more than 20 hours/week: Deduct cost of doing business and appropriate earned income deductions. Count as Self-Employment.  Boarder/Roomer: Expenses may be deducted regarding part of property used for rental purposes. |
| Representative payee funds (such as Social Security benefits) received for care and maintenance of non-BG member | See Special Treatment | If benefits are paid to a representative payee living with the applicant, count the benefits as income. If the representative payee does not live with the applicant, then do not count as income. |
| Retroactive payments (RSDI, SSI, VA) | Not Counted |  |
| Royalties | Counted |  |
| Salary Deferrals (cafeteria plans, flexible spending accounts, contributions to 401K plans) | Not counted |  |
| S.C. Vocational Rehabilitation Department Job Readiness Vocational Training Center (JRVTC) training stipends | Not Counted | Only include if the payments amount to more than the public benefits that would have been received otherwise. |
| Self-employment income | Counted |  |
| Severance pay | Counted |  |
| Sick pay benefits paid by employer | Counted | Count as earned income if the employee is to return to work.  If not, count as unearned. |
| Sick pay benefits from another source | Counted |  |
| Spousal Allocation | Counted | Income allocation from a spouse residing in a nursing home to a spouse living in the community is countable income. |
| SSA benefits | Counted  (Not Taxable) | Count gross amount  For a Child, counted IF that child is required to file a tax return. The Child is required to file if their yearly taxable income received from other sources is more than the IRS Minimum Threshold to file taxes. Refer to MPPM 103.15 and 203.04.01. |
| SSI benefits | Not Counted |  |
| Strike pay or benefits | See Special Treatment. | Strikers are ineligible. |
| Sub-marginal Land Bill Payment held in trust by the United States | Not Counted |  |
| Subsidized Adoption payments | Not Counted |  |
| Taxable Interest | Counted |  |
| Tips | Counted |  |
| Temporary Assistance for Needy Families (TANF) | Not Counted |  |
| Third Party payments and vendor payments | Not Counted |  |
| Trade Readjustment allowance | Counted | Count like Unemployment Compensation. |
| Unemployment Compensation benefits | Counted |  |
| Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 | Not Counted |  |
| Vacation pay | Counted | Count in the month it is to be received. |
| Veterans’ benefits | Not Counted |  |
| Victims’ Assistance | Not Counted |  |
| VISTA, University Year for Action, and Urban Crime Prevention | Not Counted |  |
| Wages, salaries, commission earned | Counted |  |
| Wartime Relocation payments | Not Counted |  |
| Workers’ Compensation payments | Not Counted |  |
| Workforce Investment Act (WIA) | See Special Treatment | Dependent Child: Count income of minors if required to file a tax return.  Adult: Count earned income.  The case file must contain written verification for the reason payments are made. |

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| **Alimony/Spousal Support**   * Alimony payments made under a divorce or separation agreement executed on or before Dec. 31, 2018, are deductible from the income of the payer spouse and countable as income of the receiving spouse. * Beginning Jan. 1, 2019, alimony payments made under a divorce or separation agreement executed after Dec. 31, 2018, are not deductible from the income of the payer spouse, or countable as income of the receiving spouse. * If a divorce or separation agreement executed on or before Dec. 31, 2018, is modified after December 31, 2018, alimony payments are not deductible from the income of the payer spouse, or countable as income of the receiving spouse if the modification:   + changes the terms of the alimony or separate maintenance payments; and   + states that the alimony or separate maintenance payments are not deductible by the payer spouse or countable as income of the receiving spouse. |

203.07.02 Specific Income Treatment

203.07.02A Social Security Paid to a Representative Payee

(Eff. 10/01/05)

If SS benefits are paid to a recipient’s representative payee, the income still belongs to the recipient of the SS benefits. If the representative payee (i) is the parent or spouse of the recipient and (ii) lives with the recipient, then all other income of the representative payee should be counted in the determination of the SS recipient’s income. If the representative payee does not live with the recipient, then the income of the representative payee should not be counted in the determination of the SS recipient’s income.

203.07.02B Educational Loans, Grants, Benefits, and Scholarships

(Rev. 11/4/13)

Student loans, scholarships, awards, fellowships, and grants used for educational purposes, and not for living expenses, are excluded from income. Student loans, scholarships, awards, fellowships, and grants used for living expenses are counted as income. The cost of tuition, books, equipment, fees, tutorial services, or any other necessary education expenses are considered an educational expense.

203.07.02C Loans

(Eff. 10/01/05)

Any bona fide loan from a private individual or commercial institution is disregarded in determining eligibility. The following documentation is required:

* Written agreement to repay the money within a specified time;
* A statement from the individual or establishment making the loan; or
* Evidence the loan was obtained from an individual/establishment engaged in the business of making loans.

If the loan is obtained from an individual/establishment not normally engaged in the business of making loans, the following information may be useful in establishing the existence of a bona fide loan:

* Borrower’s acknowledgment of obligation to repay (with or without interest);
* Borrower’s express intent to repay; or
* Timetable and plan for repayment.

If documentation is not provided, the money must be counted as a cash contribution.

203.07.02D Lump Sum Payments

(Rev. 08/01/20)

A lump sum payment is a nonrecurring or infrequently occurring payment. These payments include but are not limited to:

* Rebates and credits;
* Retroactive lump sum SSA, SSI, Railroad Retirement benefits;
* Lump sum insurance settlements;
* Inheritances (cash received from estate settlements); and
* Lump sum child support payments.

Except where otherwise noted, lump sum payments are counted as income in the month received.

203.07.02E Retroactive Supplemental Security Income (SSI) Benefits

(Rev.10/01/12)

Retroactive lump sum SSI and FI payments are disregarded.

203.07.02F Recoupment from Income

(Eff. 10/01/05)

Money withheld from any income source to repay a previous overpayment from the same source is counted.

203.07.02G Allowances and Reimbursements

(Rev. 11/01/21, Eff. 01/01/21)

Allowances and reimbursements from an employer for meals are not counted as income when meals are furnished on the business’s premises and are furnished for the convenience of the employer.

Allowances and reimbursements from an employer for lodging are not counted as income when meals are furnished on the business’s premises, are furnished for the convenience of the employer, and are a condition of employment.

Allowances and reimbursements for moving expenses are generally counted as income and included in the employee’s wages. Members of the U.S. Armed Forces can exclude qualified moving expense reimbursements from their income if:

* They are on active duty
* They move pursuant to a military order requiring a permanent change of station
* The moving expenses would qualify as a deduction if the employee didn’t get a reimbursement

203.07.02H Different Forms of Business

(Rev. 05/01/17)

Income received by an individual from a business may be considered:

* + - self-employment income;
    - wages as an employee; or
    - unearned income, depending upon the form of business and the individual's relationship to the business. The following policy explains the different forms of business.

1. Sole Proprietorship

A sole proprietorship is an unincorporated business owned by one individual. The owner has sole control and responsibility of the business, receives all the profits, and is legally liable for all the debts of the business. The owner of a sole proprietorship is self-employed. (Refer to MPPM 203.07.02I for information on how to determine countable income.)

1. Partnerships

A partnership is an association of two or more people to carry on as co-owners a business for profit. A partnership can be created by a verbal or written contract between the individuals. There are three types of partnerships: a General Partnership, a Limited Partnership, and a Limited Liability Partnership. The income received from a partnership is either self-employment or unearned income depending on whether the individual is a general partner or a limited partner. The income tax form, Schedule K-1, Partner's Share of Income, Credits, Deductions, etc., that the partner receives from the partnership will show whether the individual is a general partner or a limited partner.

1. General Partnership: Each partner jointly owns the business, shares in the profits and losses, and is personally liable for all the debts of the business. There may or may not be a written Partnership Agreement. The income a general partner receives from the partnership is self-employment income. (Refer to MPPM 203.07.02I for information on how to determine countable income.)
2. Limited Partnership: A business that is owned by at least one or more general partners who manage the business and one or more limited partners. Filing an application for Limited Partnership with the South Carolina Office of the Secretary of State forms an LP. The general partner or partners are responsible for the management of the company and are personally liable for all the debts of the business. The income a general partner receives from the partnership is self-employment income. (Refer to MPPM 203.07.02I for information on how to determine countable income.)

The limited partner or partners have no personal liability for the debts of the business. The income a limited partner receives from a partnership is unearned income and must be reported on his or her individual income tax return. To determine the countable unearned income, request a copy of the Schedule K-1, Partner's Share of Income, Credits, Deductions, etc., from the partnership and the individual's Schedule E, Supplemental Income and Loss, which is filed with his or her personal income tax return.

1. Limited Liability Partnership (LLP): A business that is set up like a general partnership except that the partners are granted limited liability. Usually, individuals who are in professions such as law, medicine, and accounting set up a Limited Liability Partnership. The partners are not personally liable for the malpractice or debts of the other partners or for the debts of the LLP. Filing an application for Limited Liability Partnership with the South Carolina Office of the Secretary of State forms an LLP. The income a general partner in an LLP receives from the partnership is self-employment income. The income a limited partner receives from a partnership is unearned income and must be reported on his or her individual income tax return. Refer to MPPM 203.07.02I for information on how to determine countable income.

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1. Limited Liability Company (LLC)

Filing Articles of Organization with the South Carolina Office of the Secretary of State forms a Limited Liability Company. The individual members of a LLC are not personally liable for the debts of the company. An LLC may be taxed as a sole proprietorship, partnership, or corporation. The Articles of Organization, the Operating Agreement, or their income tax forms will provide this information.An LLC with at least two members is classified as a partnership for federal income tax purposes unless it files Form 8832 and affirmatively elects to be treated as a corporation. An LLC with only one member is treated as a sole proprietorship for income tax purposes, unless it files Form 8832 and affirmatively elects to be treated as a corporation.

If the LLC is being taxed as a sole proprietorship, the policy for sole proprietorship income should be followed. If the LLC is being taxed as a partnership, the policy for partnership income should be followed. If the company is being taxed as a corporation, the policy for C corporation income should be followed.

1. Corporations

A corporation is formed by a transfer of money, property, or both by prospective shareholders in exchange for capital stock in the corporation. If money is exchanged for stock, the shareholder or corporation realizes no gain or loss. The stock received by the shareholder has a basis equal to the money transferred to the corporation by the shareholder. All corporations are divided into two groups based on how they are taxed: S Corporations which have elected Subchapter S treatment, and C Corporations which encompass all other corporations.

1. S Corporation: A small business corporation formed and operated under a State's general corporation law. It is like any other corporation, except that it is treated like a sole proprietorship or a partnership for Federal Income Tax purposes. The S Corporation files an "information" tax return to report its income and expenses, but it is not separately taxed. Instead the income and expenses of the corporation are divided among its shareholders, based upon the percentage of stock of the corporation that they own, who then report them on their own income tax returns (Schedule E, Supplemental Income and Loss.) An individual may also receive a salary from the business, and this should be counted as wages.

If the individual is actively engaged in the business, the income is self-employment income. (Refer to MPPM 203.07.02I for information on how to determine countable income.)

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| Note: The information reported on their Schedule E, Supplemental Income and Loss, should be checked to determine whether the individual is actively engaged in the business. If the income is listed as Non-passive Income, the individual is actively engaged in the business. If it is listed as Passive Income, he or she is not actively engaged in the business. |

If the individual is not actively engaged in the business, the income received is countable unearned income. The individual will receive a Schedule K-1 from the S Corporation he may then use to complete Schedule E to file with his personal income tax return.

1. C Corporation: C corporations are treated by law as a separate legal entity. The owners of a corporation are the stockholders or shareholders. Owners of a C corporation are not considered self-employed. The C Corporation reports its income and expenses on a corporation income tax return and is taxed on its profits at corporation income tax rates. Dividends when paid are taxed to stockholders who report them as income. Dividends paid to a stockholder are countable unearned income when they are received.

A stockholder of a corporation may also be an employee of the corporation. If the stockholder is an employee, the wages are counted as earned income when they are received.

203.07.02I Self-Employment Income

(Rev. 06/01/20)

**Determining Self-Employment Status**

Self-employment income is the gross income from a continuing trade or business activity minus the allowable operational expenses for that activity. This includes, but is not limited to: running a business, performing a service, selling items you make or re-selling items to make a profit. A self-employed individual may be the sole owner of a business; a general partner in a partnership; a general partner in a Limited Liability Partnership; a member of a Limited Liability Company being taxed as a partnership or sole proprietor; or a shareholder in an S Corporation who is actively engaged in the operation of the business.

An individual is not self-employed if the business is taxed as a C corporation. If the individual is a limited partner in a Limited Partnership or in a Limited Liability Partnership; or if the individual is a member (owner) of a Limited Liability Company that files federal income taxes as a corporation, any earned income actually received by the individual as an employee of the business is countable wages. Dividends or the share of income reported by the individual on his/her individual income tax is countable unearned income.

A self-employed farmer actively earns income from operating a farm for profit as either the owner or tenant. A farm includes stock, dairy, poultry, fish, bee, fruit, or truck farms. It also includes plantations, ranches, nurseries, or orchards.

To determine if an individual is self-employed, evaluate the individual’s work situation. An individual will generally be considered self-employed if: (i) an employer does not withhold Social Security and income taxes on the individual’s behalf; the individual generally exercises control over how the business will be conducted, not just the end product; and the individual usually incurs operational expenses related to conducting his business or work activity.

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| Example #1: Not Self-Employed: An electrician, who works for a construction company, has materials provided and receives a regular paycheck with taxes withheld.  Self-Employed: An electrician who solicits his own work, works on jobs for more than one person or business, provides his own tools, and is paid when the job is finished with no taxes withheld. |

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1. Countable Self-Employment Income

An individual's countable self-employment income from a business depends on the type of business and the individual’s relationship to the business.

1. Sole Proprietor – If the individual is the sole owner of the business, the individual’s countable self-employment income is the net profit from a business or farm. Net profit is the total gross earnings minus allowable business expenses. Any salary or disbursements made to the individual from his business are included as part of the countable self-employment income.

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| Example #2: An electrician’s gross receipts for the 12-month base period are $65,000 and his operational (business) expenses are $30,200. He has withdrawn from his account $400.00 per week in the same period for a total of $20,800. His gross income from the business is $34,800, the difference between receipts and expenses, rather than the amount he withdrew. |

1. General Partner – If the individual is a general partner, the individual’s countable self-employment income is calculated by subtracting the operational expenses from the gross receipts of the business in the base period and dividing that amount by each partner’s share. The earnings are divided according to the agreement. If no Partnership Agreement exists, the earnings must be divided equally among all general partners. Any salary or disbursements made to the individual from his business are included as part of the countable self-employment income.

Partnerships are required by the IRS to file a Form 1065, Partnership Return of Income, which shows the income and expenses of the partnership as well as the assets and liabilities of the partnership. The Form K-1 (Form 1065) is then completed using the Form 1065 and distributed to the partners to indicate their share of the earnings. If the partners do not file the required tax forms, they are still treated as partners for the purposes of determining countable income. The earnings are then reported on the individual’s tax return on a Schedule E as income.

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| Example #3: Two individuals work together as equal partners in a Carpet Cleaning business. Their gross receipts in the base period were $57,000 and their operating (business) expenses were $9,500. The gross income from the business is $47,500 and each partner’s gross income is $23,750. |

1. Member of a Limited Liability Company (LLC) Filing Federal Taxes as a Partnership – If the individual is a member of a Limited Liability Company which files federal income taxes as a partnership, and the individual is a general partner, the company is treated the same as a general partnership and the individual’s self-employment income is his/her share of the earnings.

If the individual is a limited partner, he/she is not self-employed. Limited partners treat as self-employment earnings only guaranteed payments for services they actually rendered to, or on behalf of, the partnership to the extent that those payments are payment for those services. Any dividends paid to him/her from the LLC are countable unearned income.

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| Example #4: Ms. Mitchell is one of three members of Styles & Files, a LLC with monthly profits of $900. The company’s Operating Agreement says the income of the LLC is taxed as a partnership with each member receiving an equal share of the profits. Ms. Mitchell’s countable self-employment income is $300.  Example #5: Mr. John Deere and his son have formed a LLC and are the only two members of John’s Tractor Service. The company’s Articles of Organization state that the income of the LLC will be taxed as a corporation. Mr. Deere is not self-employed. |

1. Shareholder in an S Corporation –If the individual is a shareholder in an S Corporation and is actively working in the business, the individual’s earned income is his/her share of the profits. The S Corporation operates the same as a partnership in that the income is taxed at the individual level and there are no corporate taxes. An individual who is a shareholder in an S Corporation but is not actively working in the business is not self-employed. His share of the profits is countable unearned income.

S Corporations are required by the IRS to file a Form 1120S, U .S. Income Tax Return for an S Corporation, which shows the income and expenses of the corporation. The Form K-1 (Form 1120S) is then completed using the Form 1120S and distributed to the shareholders to indicate their share of the earnings. The earnings are then reported on the individual’s tax return on a Schedule E as income.

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| Example #6: Mr. Smith is one of 12 shareholders in John’s Cleaning Service, an S Corporation with a monthly profit of $12,000. Mr. Smith formed the corporation, is responsible for its management, and cleans several of the businesses that have contracted with the corporation for services. Mr. Smith’s countable self-employment income is $1,000. ($12,000 divided by 12 = $1,000)  Example #7: Mr. Manning is one of 10 shareholders in Mike’s Investigations, an S Corporation with a monthly profit of $11,000. Mr. Manning does not perform any services for the corporation. His share of the monthly profits is $1,100 and is countable unearned income. ($11,000 divided by 10 = $1,100) |

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2. Calculating Multiple Self-Employment Businesses

Each self-employment business is separate. Calculate the net self-employment income for each self-employment business separately. Determine the expenses and gross income for each business separately and add the total amounts to determine the gross income.

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| Note: Do not allow the same operational expenses more than once. For example, if the applicant/ beneficiary rents a space and uses it for two businesses, the rent deduction can only be allowed once. |

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| Example #8: Drew Blank operates Kids-R-Us Day Care and Blank Heating & Cooling. These are two separate business activities. Kids-R-Us Day Care received $35,000 in gross income and had $12,250 in expenses for a net profit of $22,750. Blank Heating & Cooling business had $28,000 in gross receipts and $4,500 in expenses for a net profit of $23,500. His income from self-employment is $46,250 ($22,750 + $23,500.)  Example #9: Alice Carroll has two separate businesses, White Rabbit House Cleaning and The Mad Hatter Tea Shop. White Rabbit House Cleaning received $12,000 in gross income and had $3,000 in expenses for a net profit of $9,000. The Mad Hatter Tea Shop had $20,000 in gross receipts and $23,250 in expenses for a net loss of $3,250. Her income from self-employment is $5,750, ($9,000 - $3,250 = $5,750.) |

1. Verifying Countable Self-Employment Income

The individual’s most recent tax return is used to verify the countable profits from self-employment or farming, if the income information on the tax return is representative of the current self-employment income and circumstances. Refer to the Schedule C or Schedule E as appropriate.

If a tax return is not available, or if the income reported on the most recent tax return is not representative of current income, business accounting records, ledger books, or bookkeeping records from the beginning of the current tax year up to the month of application, including those maintained by the individual, by either paper or in software programs such as QuickBooks, may be used to verify self-employment income. The applicant/beneficiary should provide a profit and loss statement to document income and expenses from the beginning of the tax year up to the month of application. If there are no business records available at application, the applicant’s statement declaring the gross income received from the beginning of the current tax year up to the month of application should be accepted only as a last resort. Money earned and not received is not included.

Note: A declaratory statement cannot be accepted for operational expenses, since there is no business or current tax records available to verify the expenses.

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1. Business Expense Deductions

Business or operating expenses are the identifiable costs of producing goods or services and without which the goods or services could not be produced. Verified costs of certain items necessary for the operation of a self-employment business/farm are appropriately deducted from the total business income to determine earnings. Eligibility Workers should not attempt to verify the validity of the expenses and deductions for the business. Because the individual is filing these forms with the IRS under penalty of perjury, we assume the expenses are appropriate.

Some examples of allowable business deductions shown on a Schedule C or Schedule E are:

* Cost of renting land, buildings, machinery, and equipment necessary for the operation of the business or farm;
* Cost of utilities for business or farm buildings;
* Cost of office supplies;
* Amount of real property taxes on business or farmland owned or being purchased by the individual;
* Cost of employees' wages and benefits and the employer's share of the employees' social security taxes;
* Costs of repairs and maintenance of business or farm property (including buildings, machinery, equipment, trucks) owned or being purchased by the individual, if such expenditures do not appreciably add to the value of the property;
* Interest portion of business and farm loans or mortgages;
* Insurance on business and farm property (including buildings, machinery, livestock, cars, trucks);
* Business licenses;
* Cost of gas and oil for business or farm vehicles;
* Cost of feed, fertilizer, seeds, plants, and farm supplies;
* Cost of breeding fees, veterinary fees, and livestock medicines;
* Cost of advertising;
* Postage;
* Cost of tools purchased for the business;
* Attorney fees related to the business;
* Cost of tax return preparation;
* Cost of goods sold;
* Business-related travel expenses;
* Depreciation; (loss of value, as because of wear)
* Entertainment expenses;
* Federal, state and local income taxes directly attributable to the trade or business;
* Cost of business transportation (including parking expenses). Travel expenses while at work (such as going to pick-up materials required for the business) are considered a business expense. Travel expenses to and from the individual's home to place of employment is not deductible. Personal use of a motor vehicle is not an allowable expense. If a vehicle is used both for business and personal purposes, the expenses must be divided between business and personal use. The expenses must be divided based on the number of miles driven for each purpose.

1. Establishing annual gross earned income from self-employment

Generally, it will be necessary for the self-employed individual to provide copies of their tax return from the previous year or the individual's current business records in order for a projection of annual gross income to be determined. Additionally, the self-employed individual's estimate of expected income and expenses must be secured.

The amount of annual gross earned income from self-employment shall be determined by subtracting the allowable annual operating expenses from the annual gross receipts.

| **Procedure for Establishing Annual Gross Income from Self-Employment** | |
| --- | --- |
| **Situation** | **Treatment** |
| Tax Return –  No change expected for current year | The individual has been carrying on the same trade or business for some time, net earnings from self-employment have been fairly constant from year-to-year and he/she anticipates no change or gives no satisfactory explanation of why the net earnings for current and future months will be substantially different from what it has been in the past. The estimate of earnings for the current taxable year should be the same as the net profit last year. Net Profit would be the Gross Income minus the Allowable IRS Deductions. Income counted is what is filed on the individual’s tax return (Line 12 of IRS FM 1040). |
| Tax Return – Change expected for current year | The individual is engaged in the same business that he/she had the preceding taxable year and anticipates a change and can give a reason why there would be a substantial difference from what it has been in the past. Determine the ratio between his net profit and gross receipts for the last year and apply it to the gross income received for the current taxable year. Income counted is what is filed on the individual’s tax return (Line 12 of IRS FM 1040).  Procedure   * Using the applicant/beneficiary’s tax return from the previous year, divide the Gross Income by the Net Profit (Gross Income minus Allowable IRS Deductions) to calculate the ratio between Net Profits and Gross Income   Gross Income – Allowable Expenses = Net Profit  Net Profit ÷ Gross Income = Net-Gross Ratio   * Using the applicant/beneficiary’s business records from the beginning of the current year up to the month of application, determine the business’ Gross Income * Calculate a monthly average for the Gross Income received to date * Multiply the monthly average by the Net-Gross Ratio to calculate the Monthly Net Profit * Annualize the Monthly Net Profit   Example: John Crawling applies for Medicaid in July. Last year he had a net profit of $1,200 with $6,000 in gross income in his business. He reports that his business is doing better this year, and last year’s income tax return would not accurately reflect his income for this year. In the first six months of this year he has $3,900 in gross receipts.  $6,000 last year’s Gross Income  $1,200 last year’s Net Profit  $1,200 ÷ $6,000 = 20% Net-Gross Ratio  $3,900 Current year’s Gross Income for the first six months  $3,900 ÷ 6 = $650 monthly average  $650 x 20% = $130 Estimated Monthly Net Profit  $130 x 12 = $1,560 Estimated Annual Net Profit |
| No Tax Return – Established or New Business | The Eligibility Worker shall project an estimate of the individual's countable annual income based on the individual's current business records. The Eligibility Worker shall base the decision on the individual's business records for the current year unless the individual disputes this determination and provides a reasonable explanation as to why the current business records do not reflect the income (and expenses) that he expects to receive in the future. If the individual disputes the determination by providing a reasonable explanation as to why the Eligibility Worker’s projection is not satisfactory and provides a written estimate of his projected annual income and expenses, the Eligibility Worker shall use the individual's written estimate on which to base the eligibility determination. In determining income, income and deductions as allowed under the tax code are applied. |

1. Budgeting Profits from Self-Employment

In most cases, self-employment income must be annualized. Refer to the Procedure for Establishing Annual Gross Income from Self-Employment table above. Average the total profits received in the year to determine the monthly countable self-employment income. The effective date for self-employment income will be the January following the tax filing year unless otherwise indicated. For instance, any self-employment income filed for Tax Year 2019 is counted with an effective date of January 2020.

1. If a 12-month period of self-employment income history is available, and it is representative of the current circumstances, this information may be used to determine the monthly countable self-employment income.
2. If a 12-month period of self-employment income history is not available, or if the self-employment history is not representative of the current circumstances, whatever current information is available to establish a best estimate of the countable self-employment income may be used. A shorter review period may need to be set until enough information has been gathered to establish an accurate best estimate for longer periods.
3. If the self-employment income is not intended to be the household's annual support, and the household anticipates income from another source to be its support for the other part of the year, the self-employment income over the number of months it is intended to cover must be pro-rated and that amount must be used as the monthly countable income from self-employment in those months.
4. If the self-employment income is intended to be part of the household’s annual support, and other income is received that is part of the annual support, the self-employment income must be annualized, even if the business is only conducted during part of the year.

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| Example #10: Mr. Lean is a teacher who operates a small business to support himself during the summer months. He relies upon this small business for support only for the summer and relies upon his income from teaching for the rest of the year. He receives income from his 9-month contract-teaching job only during the school year. Last year, Mr. Lean's business made $6,000 during the 3-month school vacation. He expects his earnings to be about the same this year. Count $2,000 self-employment income for the three months the income is intended to cover (June, July and August). Count the teaching income in the months it is received. During June, July and August, Mr. Lean's countable income will be only the self-employment income, and in the other months, his countable income will be only the income from teaching.  Example #11: Ms. Cross is a teacher who operates a small business during the summer. She relies upon this business to supplement her income from teaching; she considers both incomes part of her annual support. This is the first year of business for Ms. Cross. She expects to have $6,000 in the three summer months. This money, added to the money from her teaching contract, must be divided by 12. ($6,000 self-employment + $30,000 teaching = $36,000. $36,000 ÷ 12 = $3,000. Count $3,000 for each month.)  Example #12: Mr. Hire is a self-employed plumber who has only been in business for two months. He has not received any money from the business yet but has paid $500 in business expenses. He expects to average about 20 jobs with approximate earnings of $50 from each job. Using his anticipated income of $1,000 per month (20 jobs x $50 per job) and deducting his actual business expenses of $500, you can determine that his countable monthly income is $500. Review the case within a few months to see if your best estimate is still valid.  Example #13: Ms. Small is a Certified Public Accountant. She works only for three months of the year–the three months preceding the income tax deadline. This is the only income she earns all year. She uses the earnings to supplement her annual unearned income. Ms. Small earned $10,000 last year and had $1,000 business expenses. Her annual earnings from self-employment were $9,000. Ms. Small has "a hunch" her earnings for this year will be less. She cannot give us a logical reason why this would be so. ($9,000 ÷12 = $750. Count $750 as her earned income each month.) |

203.07.02J Net Earnings from Self-Employment (NESE)

(Rev. 11/01/11)

NESE is the gross income from any trade or business, less allowable deductions for that trade or business. NESE also includes any profit or loss in a partnership. NESE is determined on an annual basis.

| **STEPS** | **PROCEDURE** |
| --- | --- |
| Determine monthly NESE | Divide the entire taxable year's NESE equally among the number of months in the taxable year, even if the business:   * Is seasonal; * Starts during the year; * Ceases operation before the end of the taxable year; or * Ceases operation prior to initial application. |
| Verify net losses | Any verified net losses from self-employment are divided in the same way as net earnings. Then each month's net loss is deducted from earned income of the individual or spouse in that month. |
| Apply the 7.65% deduction | A 7.65% deduction is applied to net profit in determining NESE. Therefore, multiply net profit by .9235 to determine NESE. This deduction recognizes, as a business expense, part of the Social Security taxes paid. If Social Security tax is not paid (that is, in situations involving less than $400 per year in NESE, net losses, and when no tax return is filed), the deduction does not apply. |
| Include distributive shares | Any distributive share (whether or not distributed) of income or loss from a trade or business carried on by a partnership is included in NESE. |
| Allow work expenses | If an individual is self-employed (whether or not he is also a wage earner), reduce his earned income by any allowable work expenses that have not already been used to compute NESE. |
| Withdrawals for personal use | When an individual alleges that cash is withdrawn from a business for personal use:  A. Ask the individual whether the withdrawals were deducted on the individual's Federal Income Tax return in determining the cost of goods sold or the cost of expenses incurred or deducted on his business records.  B. Accept the individual's allegation of whether the withdrawals were properly accounted for.  If the withdrawals were properly accounted for, do not count against income.  If the withdrawals were not properly accounted for, and:   * The individual cannot or will not provide the profit and loss statement, but alleges an amount of NESE, add the value of the withdrawals to the individual's allegation of NESE. * The individual alleges withdrawals for personal use but cannot or will not estimate the value of the withdrawals, develop for unstated income.   Assume that any deductions taken on business records are allowable, provided there is no evidence to the contrary. |

203.07.02K Third-Party Payments

(Eff. 05/01/06)

Third-party payments are money payments that are not paid directly to the household but are paid to a third party for a household expense. All third-party payments are excluded as income except for the following situations:

* Wages earned by a household member that are garnished or diverted by an employer and paid to a third party for the household’s expenses are counted as income.
* Trust funds paid to a third party on behalf of a household member(s) are counted as unearned income if the household member(s) can receive the funds directly, but requests that the payments be made to the third party.

203.07.02L Medicare Buy-In

(Eff. 05/01/06)

Medicare pays the Medicare Part B Premium for every person who is both Medicare and Medicaid eligible. The Social Security Administration assumes responsibility for determining and establishing Buy-In Part B coverage for individuals eligible for Supplemental Security Income (SSI). Buy-In coverage for individuals eligible for other Medicaid programs is established through a combined automated and manual process.

203.07.02M Cafeteria Benefit Plans

(Rev. 02/01/22)

A cafeteria plan is a written benefit plan offered by employers in which all employees have (i) the opportunity to participate, (ii) a choice of benefits from which to select, and (iii) a salary-reduction agreement whereby the employee accepts a lower salary in order to participate. These plans are defined under provisions of Section 125 of the Internal Revenue Code or Internal Revenue Service (IRS) regulations. An example of a cafeteria plan is MoneyPlu$ offered to state employees where health insurance and other benefits are purchased by the employee with pre-tax dollars. The gross income is reduced by the cost of these benefits, and Federal, State, FICA and Medicare taxes are computed based on the reduced amount. The reduced Gross amount is used to determine eligibility for Medicaid programs.

At the time of application or review:

* If an applicant’s reported income is below the threshold and reasonably compatible with electronic sources (whether by straight through processing or with a worker verifying), the worker does not need to pursue information regarding a cafeteria plan.
* If the applicant provides information (e.g. current check stub) whether as reported income or as verified income and the check stub indicates the presence of a cafeteria plan, the worker must act on that information and count income based on cafeteria plan policies.
* If the provided check stubs show possible unreported Third-Party insurance, the Eligibility Specialist must follow up to verify the policy. The Eligibility Specialist must contact the person and request the following information:
  + the name of the insurance company (if not stated on the check stub),
  + start date,
  + type of insurance,
  + policy numbers, and
  + who is covered by the policy.

If the worker cannot complete a collateral call to obtain the minimum information, they must send a DHHS Form 1233 to request the information.

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| **Procedure to Determine Gross Income**   1. If the applicant/beneficiary self-reports participating in a cafeteria type plan, request a copy of the pay stub to attempt to verify. 2. Multiply the Gross amount by .0765 and compare to the FICA tax withheld (if itemized, include the Medicare tax with FICA.) 3. If the FICA and Medicare tax withheld is less than the expected amount, determine the countable gross income (if the actual amount is within cents of the expected amount, consider them the same.) 4. Multiply the FICA and Medicare tax withheld on the pay stub by 13.071 and use this figure as the applicant’s/beneficiary’s gross income. 5. **For MAGI Determinations Only** – If the paystub indicates a pretax deduction for a retirement account or plan, subtract the amount of the deduction from the calculated income in Step 4 6. The Cafeteria Plan Worksheet on the Calculator tab in the MAGI Workbook must be used to complete the calculations   The Eligibility Worker may use the pay stub to determine the applicant/beneficiary’s adjusted gross income. The pay stub must clearly identify cafeteria plan deductions. The Eligibility Worker must document what deductions are being used and show how the adjusted gross income is calculated. |

203.07.02N Minister’s Gross Income

(Rev. 12/01/21)

A minister’s gross income includes:

* Salary;
* Pensions received from retirement pay;
* Fees and honoraria for officiating at weddings, christenings, funerals and other services in the exercise of the ministry;
* Value of meals when furnished as part of his compensation; and
* Travel and automobile allowances, although these same items will be deducted as business expenses if incurred in the performance of his duties.

A minister’s gross income does not include:

* Rental allowance for a parsonage or value of a parsonage furnished to him;
* Housing allowance to pay expenses in providing a home. Generally, those expenses include rent, mortgage interest, utilities, and other expenses directly relating to providing a home;
* Payments made by the Church into his/her retirement and/or pension;
* Parsonage or housing allowances when included in retirement pay after the minister retires, or any other retirement benefit received after retirement, and
* Any monetary gifts.

203.07.02O Boarder/Roomer Income

(Rev. 06/01/13)

Individuals who take in boarders or who operate commercial boarding homes are considered self-employed. When an individual rents part of his property, he may deduct expenses related to rental purposes, filed as rental expenses on Schedule E of IRS FM 1040.

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| **Procedure for Determining Income from a Boarder/Roomer** |
| 1. Document boarder/roomer payment using the [DHHS Form 1670A ME](http://medsweb.scdhhs.gov/EligibilityForms/FM%201670A%20ME.pdf), Declaration of Child Care, Roomer or Boarder Payments; 2. Deduct actual costs of providing room and/or board (if applicant/beneficiary cannot substantiate costs, give standard deduction of $60 monthly for boarder or $20 monthly for roomer); and 3. Add remainder to other earned income. |

If it cannot be determined that the applicant/beneficiary is in the business of providing boarding or lodging, the income should be counted as a cash contribution.

203.07.02P Income Received from Shared Living Arrangements

(Eff. 10/01/05)

If a MAGI household member receives cash payment from any non-household member who shares responsibility for the household expenses through an informal arrangement, the cash payment designated for household expenses is not counted as income to the MAGI household. This policy also applies when two or more MAGI household members living in the same household have a shared living arrangement. If a shared living arrangement is questionable, both the head of the household and the non-household individual that indicates that household expenses are shared may self-attest to the shared living arrangement.

In situations where a household member who receives SSI is also obligated under a third-party agreement and gives that specified portion to the budget group to pay the landlord, that obligated amount will not be counted as income to the household. However, any amount given to the budget group that exceeds the SSI individual’s obligated portion must be counted as unearned income.

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| Exception: When the SSI recipient is a parent or child who would be in the household if not receiving SSI, the policy stated above does not apply. All SSI income is disregarded in these situations. |

203.07.03 Family Planning for Minors Under Age 19

(Eff. 08/01/14)

Individuals under age 19 who apply for Family Planning are considered a household of one. In determining eligibility for this group, the state considers only the income of the applicant.

203.08 Treatment of Income and Deductions of Disqualified Individuals

(Rev. 09/01/14, Eff. 01/01/14)

The following table describes the type of sanctions and how the income of the sanctioned individual is treated.

| **Type of Disqualification** | **Treatment of Income of Disqualified Member** |
| --- | --- |
| Failure to meet enumeration requirements | Include the income with allowable earned income disregards applied for the remaining HH members. |
| Ineligible or unverified alien/ citizenship status | Count the needs and income, of the non-citizen parent as well as the needs of the non-citizen siblings. If not legally responsible, disregard income and needs. The unverified alien member is not eligible for Medicaid. |

203.09 Retroactive Coverage

(Rev. 05/01/17)

If retroactive coverage benefits are requested, refer to MPPM 101.04. Retroactive benefits may be looked at for the three calendar months before the month of application.

**203.10 MAGI Income Sources on IRS Form 1040**

(Rev. 11/01/21, Eff. 01/01/21)

Changes to the IRS code or forms may not be reflected in the table below. Refer to [www.irs.gov](http://www.irs.gov) for the most current information.

| **Income Source**  **MAGI Medicaid** | **IRS Form 1040**  **(2017 and before)** | **IRS Form 1040**  **(2020)** |
| --- | --- | --- |
| **Employee compensation**  (Wages, salary, tips, bonuses, awards, and fringe benefits) | IRS Form 1040 Line 7 | IRS Form 1040 – Line 1 |
| **Interest income**  (Taxable and non-taxable) | IRS Form 1040 Line 8a & 8b | IRS Form 1040 – Line 2a |
| **Ordinary dividends** | IRS Form 1040 Line 9a | IRS form 1040 – Line 3a |
| **Taxable refunds, offsets** | IRS Form 1040 Line 10  May be considered as lump sum | IRS Form 1040 –  Schedule 1 Line 1 |
| **Alimony received** | IRS Form 1040 Line 11 | IRS Form 1040 –  Schedule 1 Line 2a |
| **Business income**  (Sole proprietorship) | IRS Form 1040 Line 12  Schedule C or C-EZ | IRS Form 1040 –  Schedule 1 Line 3 |
| **Capital Gains**  (Sale if non-business assets) | IRS Form 1040 Line 13  Schedule D | IRS Form 1040 – Line 7 |
| **Other Gains**  (Sale of assets used in trade or business) | IRS Form 1040 Line 14  Form 4797 | IRS Form 1040 –  Schedule 1 Line 4 |
| **IRA distributions** | IRS Form 1040 Line 15b | IRS Form 1040 – Line 4a |
| **Pensions & Annuities** | IRS Form 1040 Line 16b | IRS Form 1040 – Line 5a |
| **Rental real estate**  (See AI/AN exemptions) | IRS Form 1040 Line 17  Schedule E | IRS Form 1040 –  Schedule 1 Line 5 |
| **Royalties**  (See AI/AN exemptions) | IRS Form 1040 Line 17  Schedule E | IRS Form 1040 –  Schedule 1 Line 5 |
| **Partnerships** | IRS Form 1040 Line 17  Schedule E | IRS Form 1040 –  Schedule 1 Line 5 |
| **S-Corporations** | IRS Form 1040 Line 17  Schedule E | IRS Form 1040 –  Schedule 1 Line 5 |
| **Trusts**  (See AI/AN exemptions) | IRS Form 1040 Line 17  Schedule E | IRS Form 1040 –  Schedule 1 Line 5 |
| **Farm Income**  (See AI/AN exemptions) | IRS Form 1040 Line 18  Schedule F | IRS Form 1040 –  Schedule 1 Line 6 |
| **Unemployment Compensation** | IRS Form 1040 Line 19 | IRS Form 1040 –  Schedule 1 Line 7 |
| **Social Security benefits**  (Taxable and non-taxable) | IRS Form 1040 Line 20a | IRS Form 1040 – Line 6a |
| **Other income**  (Gambling winnings, gifts, prizes, cancellation of debt, jury duty pay, foreign earned income) | IRS Form 1040 Line 21  Some sources may be considered as lump sum (gambling, prizes, cancellation of debt) | IRS Form 1040 –  Schedule 1 Line 8 |
| **Tax exempt foreign earned income** | IRS Form 1040 Line 21  IRS Form 2555  Count non-taxable foreign earnings identified | IRS Form 1040 – Line 21  IRS Form 2555  Count non-taxable foreign earnings identified |
| **Veteran’s disability benefits** | Not counted | Not counted |
| **Veteran’s pension benefits** | Not counted | Not counted |
| **Veteran’s education benefits** | Not counted | Not counted |
| **Child Support Received** | Not counted | Not counted |
| **Worker’s Compensation** | Not counted | Not counted |
| **Railroad retirement benefits** | Not counted | Not counted |
| **SSI benefits** | Not counted | Not counted |
| **Welfare benefits and other public assistance payments**  (Payments based on need, victims of crime, disaster relief) | Not counted | Not counted |
| **Foster Care and Adoptions Assistance payments** | Not counted | Not counted |
| **Military allowances**  (BAH/BAS) | Not counted | Not counted |
| **Holocaust victims restitution** | Not counted | Not counted |
| **Lump sum income**  (Gambling winnings, prizes, cancellation of debt, surviving spouse receives salary or wages from decedent’s employer) | IRS Form 1040 Line 21  Count in month received | IRS Form 1040 –  Schedule 1 Line 8 |
| **Lump sum income**  (Retroactive Social Security and Railroad Retirement benefits) | IRS Form 1040  Count in month received | IRS Form 1040  Count in month received |
| **Education scholarships, awards, fellowship grants**  (See AI/AN exemptions) | Count if used for living expenses | Count if used for living expenses |
| **American Indian/Alaska Native (AI/AN) exemptions** | Not counted, see below | Not counted, see below |
| **AI/AN exemptions**   * Distributions from Alaska Native Corporations and Settlement Trusts * Distributions from any property held in trust, subject to federal restrictions, located within the most recent boundaries of a prior Federal reservation, or otherwise under the supervision of the Secretary of the Interior * Distributions and payments from rents, leases, rights of way, royalties, usage rights, or natural resource extraction and harvest from:   + Rights of ownership or possession in any lands located within the most recent boundaries of a prior Federal reservation, or otherwise under the supervision of the Secretary of the Interior; and   + Federally protected rights regarding off-reservation hunting, fishing, gathering, or usage of natural resources * Distributions resulting from real property ownership interests related to natural resources and improvements:   + Located on or near a reservation or within the most recent boundaries of a prior Federal reservation; or   + Resulting from the exercise of federally protected rights relating to such real property ownership interests * Payments resulting from ownership interest in or usage rights to items that have a unique religious, spiritual, traditional, or cultural significance or rights that support subsistence or a traditional lifestyle according to applicable Tribal Law or custom * Student financial aid provided under the Bureau of Indian Affairs education programs | | |

**203.11 MAGI Income Deductions on IRS 1040**

(Rev. 11/01/21, Eff. 01/01/21)

Changes to the IRS code or forms may not be reflected in the table below. Refer to [www.irs.gov](http://www.irs.gov) for the most current information.

| **Income Deductions**  **MAGI: Medicaid** | **IRS Form 1040**  **(2017 and before)** | **IRS Form 1040**  **(2020)** |
| --- | --- | --- |
| **Educator expenses** | IRS Form 1040 Line 23 | IRS Form 1040 –  Schedule 1, Line 10 |
| **Business expenses of reservist, performing artists, etc.** | IRS Form 1040 Line 24  Form 2106/2061-EZ | IRS Form 1040 –  Schedule 1, Line 11 |
| **Health Savings Account** | IRS Form 1040 Line 25  Form 8889 | IRS Form 1040 –  Schedule 1, Line 12 |
| **Moving expenses**  (Members of the Armed Forces only) | IRS Form 1040 Line 26  Form 3903 | IRS Form 1040 –  Schedule 1, Line 13 |
| **Deductible part of self-employment tax** | IRS Form 1040 Line 27  Form SE | IRS Form 1040 –  Schedule 1, Line 14 |
| **Self-employed SEP, SIMPLE, and qualified deduction** | IRS Form 1040 Line 28 | IRS Form 1040 –  Schedule 1, Line 15 |
| **Self-employed health insurance deduction** | IRS Form 1040 Line 29 | IRS Form 1040 –  Schedule 1, Line 16 |
| **Penalty on early withdrawal of savings** | IRS Form 1040 Line 30 | IRS Form 1040 –  Schedule 1, Line 17 |
| **Alimony paid** | IRS Form 1040 Line 31a | IRS Form 1040 –  Schedule 1, Line 18a |
| **Child support paid** | Not deducted | Not deducted |
| **IRA deduction** | IRS Form 1040 Line 32 | IRS Form 1040 –  Schedule 1, Line 19 |
| **Student loan interest** | IRS Form 1040 Line 33 | IRS Form 1040 –  Schedule 1, Line 20 |
| **Tuition and fees** | IRS Form 1040 Line 34  Form 8917 | IRS Form 1040 Line 34  Form 8917 |
| **Domestic production activities** | IRS Form 1040 Line 35  Form 8903 | IRS Form 1040 –  Schedule 1, Line 10 |