



Health Reform: **Beyond the Basics**

healthreformbeyondthebasics.org

Part II:
**Determining Households and
Income for Premium Tax
Credits and Medicaid**

Center on Budget and Policy Priorities

September 29, 2016

Why Household Size Matters

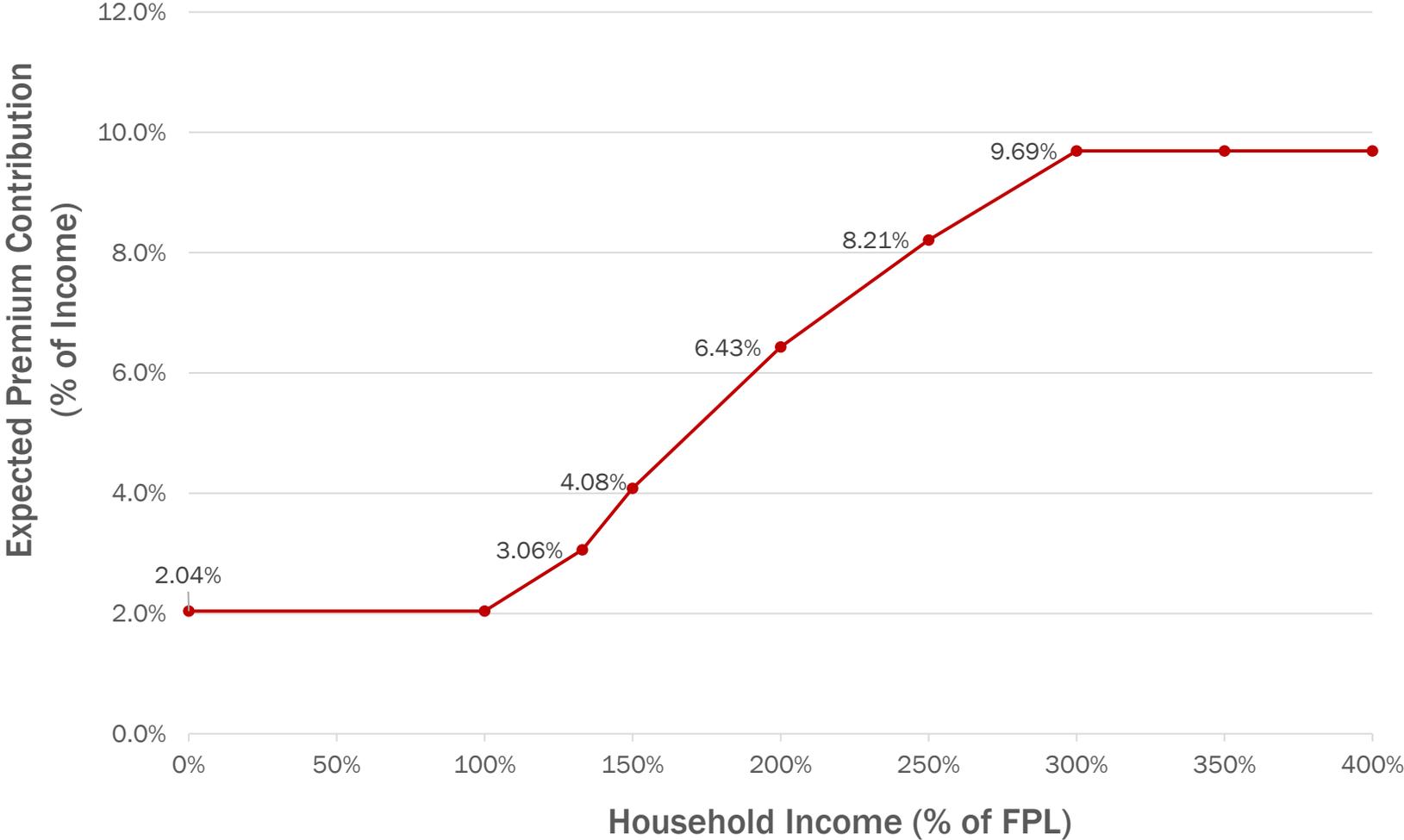
Necessary to convert income to a federal poverty line (FPL) standard:

- Number of individuals in a household determine the % of FPL
- Who is in the household determines whose income counts in determining eligibility

Household Size	% of Federal Poverty Line (2016)				
	100%	138%	200%	250%	400%
1	\$11,880	\$16,394	\$23,760	\$29,700	\$47,520
2	\$16,020	\$22,108	\$32,040	\$40,050	\$64,080
3	\$20,160	\$27,821	\$40,320	\$50,400	\$80,640
4	\$24,300	\$33,534	\$48,600	\$60,750	\$97,200
5	\$28,440	\$39,247	\$56,880	\$71,100	\$113,760

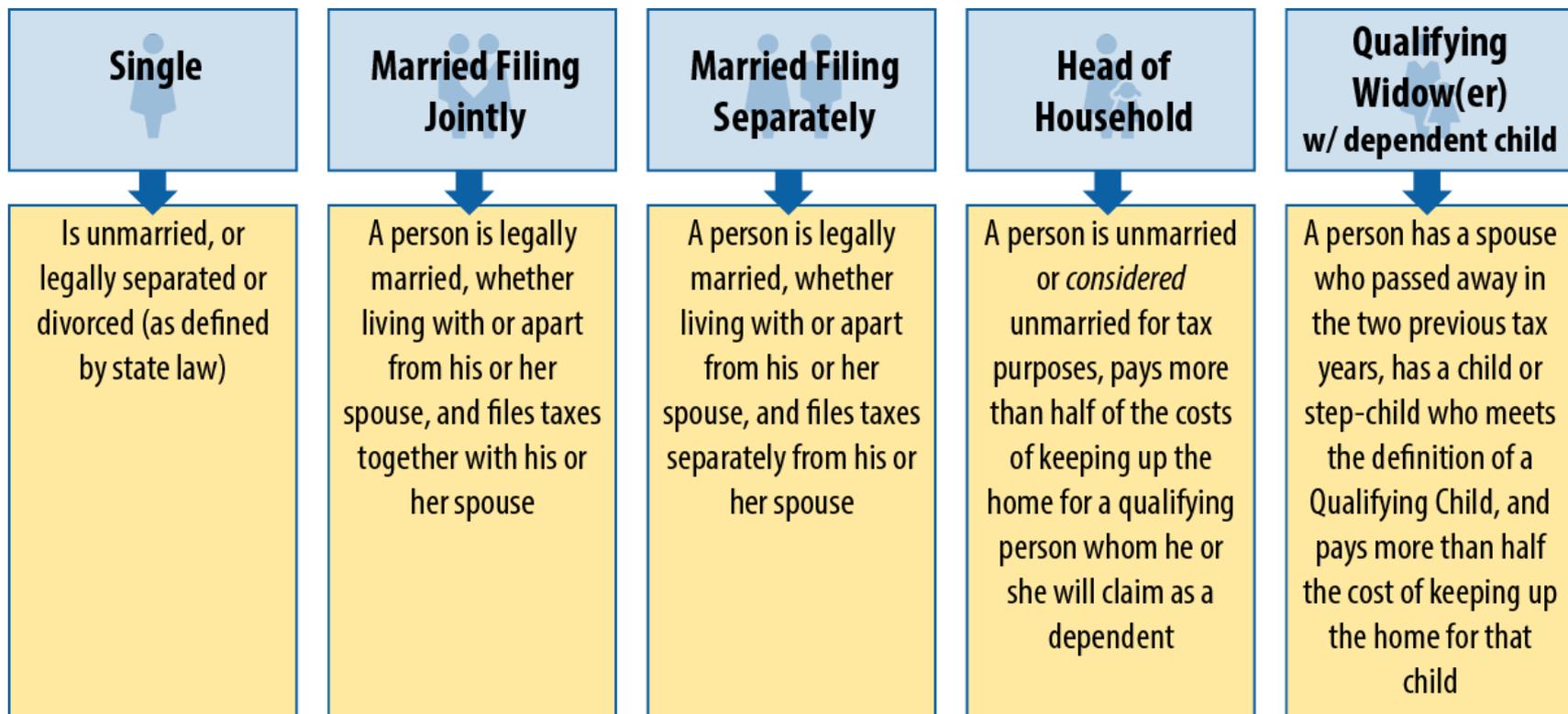
→ % of FPL determines expected premium contribution, which is used to calculate the PTC

Expected Premium Contributions for 2017 Plan Year



Why Tax Filing Status Matters

What Filing Statuses are Available to Taxpayers?



- In general, a person who is married must file jointly with his or her spouse in order to be eligible for PTCs
- **Three exceptions** to the joint filing requirement
 - Head of Household
 - Domestic abuse
 - Abandoned spouse

Note: If a person will file taxes as Married Filing Separately and doesn't qualify for one of these exceptions, he or she could still be eligible for Medicaid and to purchase health insurance in the Marketplace at full cost (without PTCs)

Head of Household

- Some people who are married but do not file taxes with their spouse are eligible for PTCs if they qualify and file as Head of Household.

When can a married person file as Head of Household?

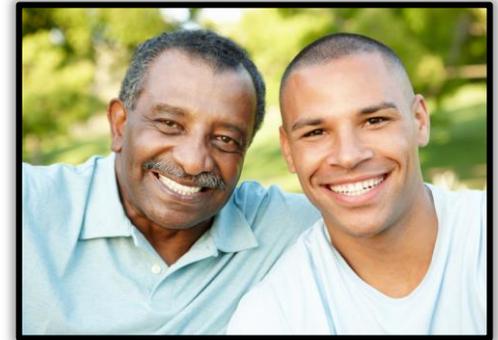
A married person is considered unmarried and is eligible to file as Head of Household if he or she can answer YES to each of the following questions:

- Will you file taxes separately from your spouse?
- Will you live apart from your spouse from July 1 to Dec 31?
- Will you pay more than half of the cost of keeping up your home?
- Will your child, stepchild, or foster child (of any age) live with you for more than half the year?
- Will either you or the child's other parent claim the child as a dependent?

If all the answers are Yes, the applicant is considered unmarried and can file as Head of Household. If the answer to any of these questions is No, the applicant cannot file as Head of Household.

Chuck and Dante

- Separated from his wife but not divorced and will not file taxes together next year
- Dante, his adult son, is unemployed, has no income and is living with Chuck



Does Chuck qualify to file as Head of Household?

When can a married person file as Head of Household?

A married person is considered unmarried and is eligible to file as Head of Household if he or she can answer YES to each of the following questions:

- Will you file taxes separately from your spouse?
- Will you live apart from your spouse from July 1 to Dec 31?
- Will you pay more than half of the cost of keeping up your home?
- Will your child, stepchild, or foster child (of any age) live with you for more than half the year?
- Will either you or the child's other parent claim the child as a dependent?

- ✓ **YES**, Chuck qualifies to file as Head of Household because he is considered unmarried by the IRS

Therefore, when Chuck is asked if he is married, he can say No.

Is Chuck married?

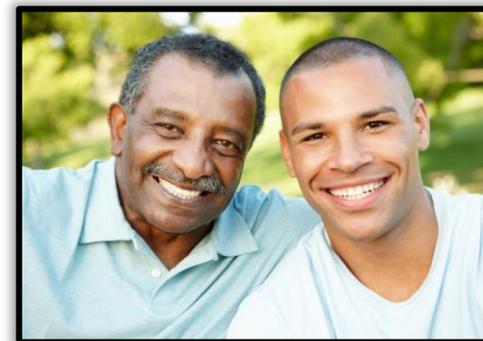
Yes

No

Example: Head of Household

Chuck and Dante

- *New Facts:* Dante is employed and not Chuck's dependent
- Dante still lives with Chuck



Does Chuck qualify to file as Head of Household?

When can a married person file as Head of Household?

A married person is considered unmarried and is eligible to file as Head of Household if he or she can answer YES to each of the following questions:

- Will you file taxes separately from your spouse?
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- Will your child, stepchild, or foster child (of any age) live with you for more than half the year?
- Will either you or the child's other parent claim the child as a dependent?

X NO, because he is not supporting a child who is his dependent

Is Chuck married?

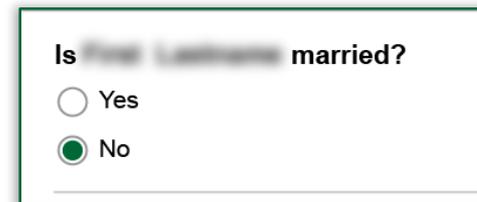
- Yes
 No

Does Chuck plan to file a joint federal income tax return with his spouse for 2017?

- Yes
 No

Domestic abuse

- A taxpayer who is Married Filing Separately can meet the joint filing requirement if he/she:
 - ✓ Lives apart from the spouse
 - ✓ Is unable to file a joint return because of domestic abuse



Is [redacted] married?

Yes

No

Abandoned spouses

- A taxpayer who is Married Filing Separately can meet the joint filing requirement if he/she:
 - ✓ Lives apart from the spouse
 - ✓ Is unable to locate spouse after using due diligence

Note: Can be used for a maximum of three consecutive years

Determining Households for Premium Tax Credits

Household: An individual's tax unit

- Includes all individuals for whom a taxpayer will claim a personal exemption
- Taxpayers can claim a personal exemption for:
 - ✓ **Self and spouse**
 - ✓ **Tax dependents**
- A household includes all individuals in the tax unit even if they are ineligible for premium tax credits or have another source of insurance coverage.

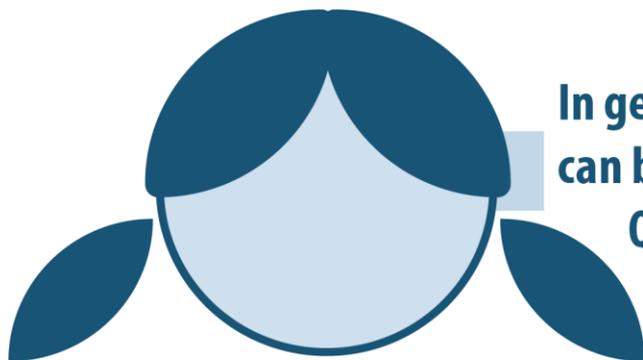
Note: Household size is based on expected tax filing status for the taxable year in which premium tax credits are being claimed

Determining Tax Dependents

Who Can Be Claimed as a Qualifying Child?

Children

A child can include the tax filer's child, step child, adopted child, foster child, brother, sister, niece, nephew or grandchild



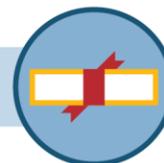
In general a child can be claimed as a Qualifying Child if she...



Is a U.S. citizen or resident (for tax purposes) of the U.S., Canada or Mexico



Lives with the tax filer for more than half the year



Is under 19 at the end of the year (or 24 if a full-time student or any age if disabled)



Doesn't provide more than half of her own support

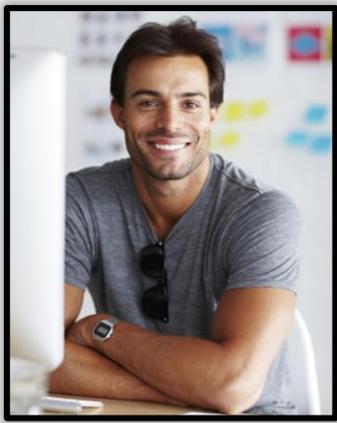
The parent that claims the child as a tax dependent can claim PTCs for the child

Usually this is the custodial parent:



- If the custodial parent claims the child on the tax return, that parent is responsible for ensuring that the child has insurance or paying the penalty.
- The custodial parent can claim PTCs for the child.

But sometimes a child is claimed by the noncustodial parent:



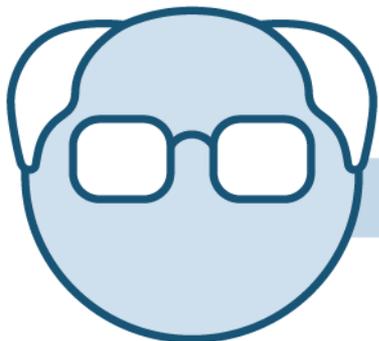
- The custodial parent must sign a tax form granting the noncustodial parent the child's exemption (Form 8332).
- If granted the child's personal exemption, the noncustodial parent is also responsible for the child's insurance or penalty for being uninsured.
- The noncustodial parent can claim PTCs for the child.

Determining Tax Dependents

Who Can Be Claimed as a Qualifying Relative?

Other individuals

Other individuals can include a relative or a full-time member of the tax filer's household who is not a relative



In general a person can be claimed as a Qualifying Relative if he...



Cannot be claimed as a Qualifying Child



Is a U.S. citizen or resident (for tax purposes) of the U.S., Canada or Mexico



Receives more than 50% of his support from the tax filer



Is related to the tax filer or lives in the tax filer's home all year

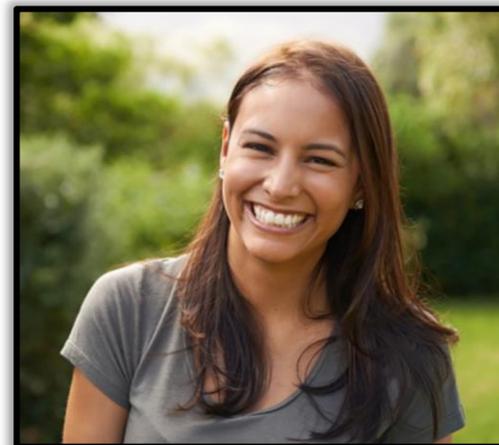


Gross income less than \$4,050 in 2016 (generally doesn't include social security)

Example: Can Jane be claimed as a tax dependent?

Jane

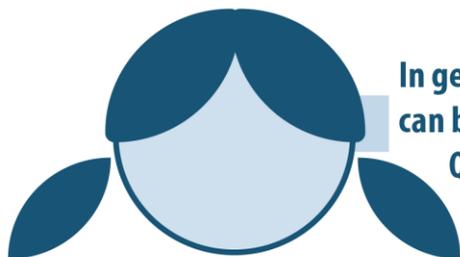
- 27 years old
- Lives with parents, rent-free
- Starting a new career. Works as an unpaid intern and has no earnings



Can Jane be claimed as a Qualifying Child?

Children

A child can include the tax filer's child, step child, adopted child, foster child, brother, sister, niece, nephew or grandchild



In general a child can be claimed as a Qualifying Child if she...



Is a U.S. citizen or resident (for tax purposes) of the U.S., Canada or Mexico



Lives with the tax filer for more than half the year



Is under 19 at the end of the year (or 24 if a full-time student or any age if disabled)



Doesn't provide more than half of her own support



x No

Example: Can Jane be claimed as a tax dependent?

Jane

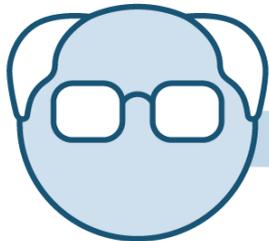
- 27 years old
- Lives with parents, rent-free
- Starting a new career. Works as an unpaid intern and has no earnings



Can Jane be claimed as a Qualifying Relative?

Other individuals

Other individuals can include a relative or a full-time member of the tax filer's household who is not a relative



In general a person can be claimed as a Qualifying Relative if he...



Cannot be claimed as a Qualifying Child



Is a U.S. citizen or resident (for tax purposes) of the U.S., Canada or Mexico



Receives more than 50% of his support from the tax filer



Is related to the tax filer or lives in the tax filer's home all year



Gross income less than \$4,050 in 2016 (generally doesn't include social security)



✓ Yes

Determining Households for MAGI Medicaid

MAGI rules apply to:



CHILDREN



**PREGNANT
WOMEN**



**PARENTS / CARETAKER
RELATIVES**



ADULTS
(only in states
expanding Medicaid)

Different household and income rules apply to:



SENIORS
(people 65 and over)



**MOST PEOPLE
WITH DISABILITIES**

Three categories of individuals:

1 Tax filers not claimed as a tax dependent

2 Tax dependents (with 3 exceptions)

3 Non-filers not claimed as a tax dependent

Note:

- Separate determination for each individual
 - Members of a family can have different household sizes
- Based on expected filing status



Tax filer not claimed as a dependent	Tax dependent	Non-filer / non-dependent
<p>Individual's household is:</p> <ul style="list-style-type: none"> • Tax filer and all persons whom taxpayer expects to claim as a dependent^{1,2,3,4} 	<p>Individual's household is:</p> <ul style="list-style-type: none"> • The household of the tax filer claiming individual as a dependent^{2,3,4} <p>EXCEPTIONS (apply the rules for non-filer)</p> <ul style="list-style-type: none"> • Tax dependents not a child of the taxpayer • Individuals under 19⁵ living with both parents not expected to file a joint return • Individuals under 19⁵ claimed as tax dependent by non-custodial parents 	<p>For individuals age 19 and above:</p> <ul style="list-style-type: none"> • Household is the individual plus, if living with individual, spouse and children under age 19^{3,4,5} <p>For individuals under age 19⁵:</p> <ul style="list-style-type: none"> • Household is the individual plus siblings under 19⁵, parents (including step-parents) and children living with individual^{3,4}
<p>¹ For married couples filing jointly, each spouse is considered a tax filer</p> <p>² Married couples living together are always in each other's household regardless of how they file</p>	<p>³ A pregnant woman is counted as herself plus the number of children she is expecting</p> <p>⁴ For individuals whose household includes a pregnant woman, states can count the pregnant woman as 1,</p>	<p>2, or 1 plus the number of children she is expecting</p> <p>⁵ States can extend the age limit to include individuals under 21 who are full-time students.</p>

Example: Married Couple with Children

Teresa, Antonio, Gaby and Michael

- Teresa and Antonio are married with 2 children, Gaby and Michael
- They file a joint return and claim both children as tax dependents



What are the Medicaid households for this family?

	Counted in Household				HH Size for Medicaid
	Teresa	Antonio	Gaby	Michael	
Teresa	✓	✓	✓	✓	4
Antonio	✓	✓	✓	✓	4
Gaby	✓	✓	✓	✓	4
Michael	✓	✓	✓	✓	4

MEDICAID HH RULE

TAX FILER

- ✓ Tax filer
- ✓ Spouse and dependents on the tax return

Example: Married Couple with Children

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	Teresa	Antonio	Gaby	Michael	
Teresa	✓	✓	✓	✓	4
Antonio	✓	✓	✓	✓	4
Gaby	✓	✓	✓	✓	4
Michael	✓	✓	✓	✓	4

MEDICAID HH RULE

TAX DEPENDENT

- ✓ Same household as tax filer claiming individual as dependent

Example: Three-Generation Household

Sonya, Kyla and Diane

- Sonya lives with and supports her 60-year-old mother, Diane and 7-year-old daughter, Kyla
- Sonya is the tax filer and claims Diane and Kyla as tax dependents



What are the Medicaid households for this family?

	Counted in Household			HH Size for Medicaid
	Sonya	Kyla	Diane	
Sonya	✓	✓	✓	3
Kyla	✓	✓	✓	3
Diane			✓	1

MEDICAID HH RULE

TAX FILER

- ✓ Tax filer
- ✓ Spouse and dependents on the tax return

Example: Three-Generation Household

Sonya, Kyla and Diane

- Sonya lives with and supports her 60-year-old mother, Diane and 7-year-old daughter, Kyla
- Sonya is the tax filer and claims Diane and Kyla as tax dependents



What are the Medicaid households for this family?

	Counted in Household			HH Size for Medicaid
	Sonya	Kyla	Diane	
Sonya	✓	✓	✓	3
Kyla	✓	✓	✓	3
Diane			✓	1

MEDICAID HH RULE

TAX DEPENDENT

- ✓ Same household as tax filer claiming individual as dependent

Example: Three-Generation Household

Why is Diane a household of 1 for Medicaid?

- She is Sonya's tax dependent, but she is not Sonya's child or spouse. Therefore, she is treated as a non-filer.
- As a non-filer, Diane's household includes herself and any spouse or children living with her. Sonya is her daughter, but she is not considered a child because of her age.



	Counted in Household			HH Size for Medicaid
	Sonya	Kyla	Diane	
Sonya	✓	✓	✓	3
Kyla	✓	✓	✓	3
Diane			✓	1

MEDICAID HH RULE

**NON-FILER
NON-DEPENDENT**

If 19 or older:

- ✓ Individual
- ✓ Spouse and children living with individual

Example: Non-Married Parents

Dan, Jen, Drew and Mary

- Dan and Jen live together with their 2 children, Drew and Mary
- Dan and Jen both have income
- For taxes, Jen claims the children, Dan files on his own



What are the Medicaid households for this family?

	Counted in Household				HH Size for Medicaid
	Dan	Jen	Drew	Mary	
Dan	✓				1
Jen		✓	✓	✓	3
Drew	✓	✓	✓	✓	4
Mary	✓	✓	✓	✓	4

MEDICAID HH RULE

TAX FILER

- ✓ Tax filer
- ✓ Spouse and dependents on the tax return

Example: Non-Married Parents

Why are Drew and Mary a household of 4 for Medicaid?

- The children are tax dependents, but they fall under one of the exceptions to the tax dependent rule — they are children living with both parents who are unmarried
- Using the non-filer rule as it applies to individuals under 19, for each child we count their parents and their siblings who are living with them.



	Counted in Household				HH Size for Medicaid
	Dan	Jen	Drew	Mary	
Dan	✓				1
Jen		✓	✓	✓	3
Drew	✓	✓	✓	✓	4
Mary	✓	✓	✓	✓	4

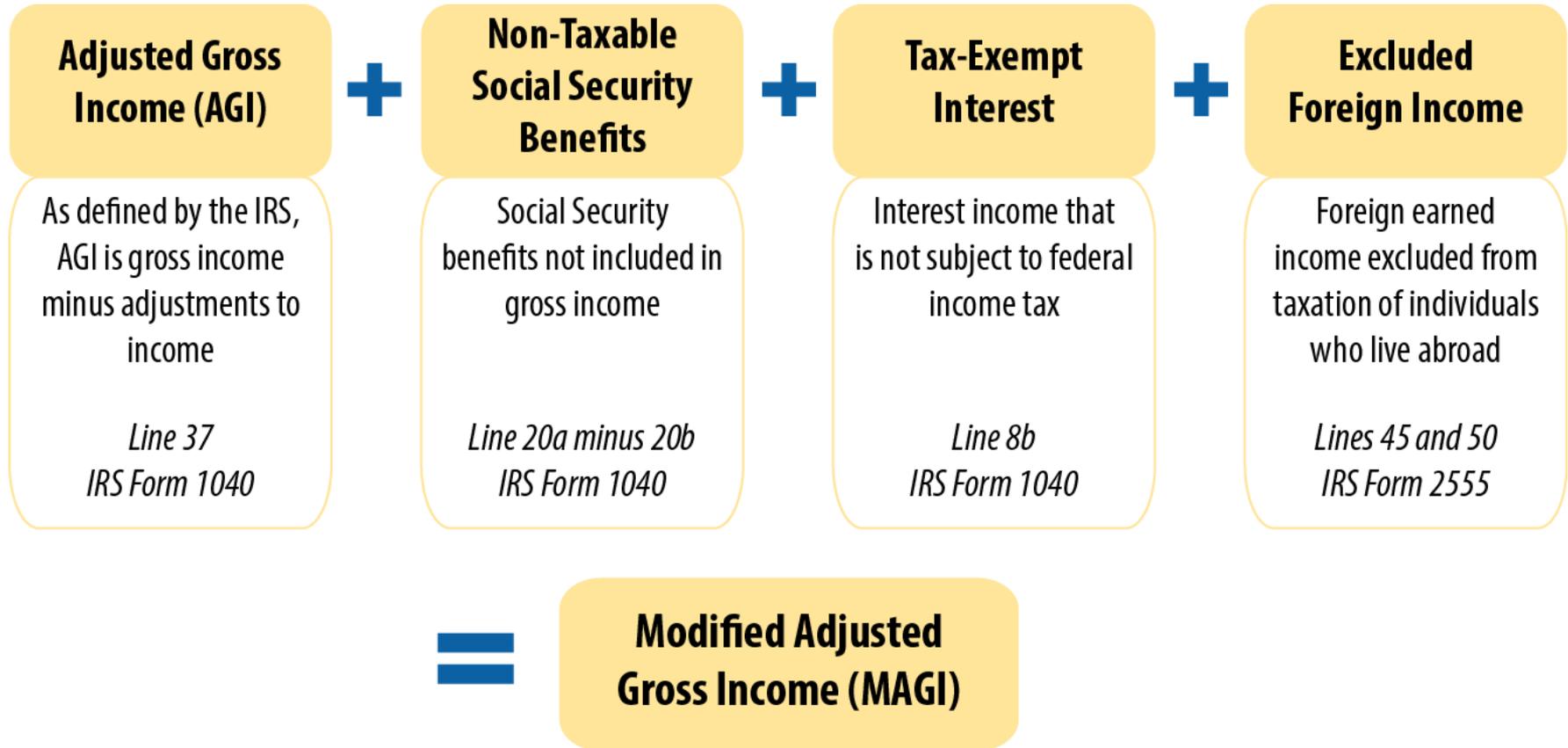
MEDICAID HH RULE

NON-FILER NON-DEPENDENT

If Under 19:

- ✓ Individual
- ✓ Siblings, parents, and children living with individual

What Counts as Income for PTCs and Medicaid



- Income can come in the form of money, goods, or services
- Cash income is taxable and included in MAGI even if:

“I haven’t declared it in the past”

“It’s on the side”

“It’s not my main job”

“I only perform the service seasonally or occasionally”



All income is taxable unless specifically excluded by law from taxation

Examples of Taxable Income	Examples of Non-Taxable Income
Wages, salaries, bonuses	TANF payments
Alimony received	Child support payments
Self-employment income	Sickness and injury payments
Tips and gratuities	Supplemental Security Income (SSI)
Farm income	Veterans' benefits
Rent income	Workers' compensation

See IRS Publications 17 and 525 for more details on what income is taxable and not taxable

- Pre-tax deductions are not included in MAGI
- Social security (including survivors benefits and disability insurance) are generally not taxable but are included in the MAGI of a person with a tax filing requirement

When to Count a Dependent's Income

Household's MAGI:

- MAGI of tax filer and all tax dependents who are *required* to file a tax return

A single dependent under age 65 has a tax filing requirement if (in 2016):

Unearned income is more than \$1,050	OR	Earned income is more than \$6,300	OR	Taxable gross income is more than the larger of: \$1,050 Earned income (up to \$5,950) + \$350
---------------------------------------------	-----------	-------------------------------------------	-----------	------------------------------------------------------------------------------------------------------------

Note: Supplemental Security Income (SSI) and non-taxable Social Security benefits are not counted in making this determination

- If a dependent has a tax filing requirement, both taxable and non-taxable Social Security (but not SSI) are counted towards a household's MAGI

Example: Single Adult with Dependent

Jill and Ryan

- Jill lives with Ryan, her 17-year-old grandson, and claims him as a tax dependent
- Jill's income: \$18,000
- Ryan's income from Social Security survivors' benefits: \$7,000



Whose income is counted in the household MAGI?

	Premium Tax Credits		
	HH	Income	FPL
Jill	2	\$18,000	112%
Ryan	2	\$18,000	112%

- Ryan does not have a tax filing requirement so his income is not counted
- Even if Ryan's Social Security benefits are paid to Jill on his behalf, the benefits are Ryan's income

Example: Single Adult with Dependent

Jill and Ryan

- Jill lives with Ryan, her 17-year-old grandson, and claims him as a tax dependent
- Jill's income: \$18,000
- Ryan's income **from a part-time job**: \$7,000



Whose income is counted in the household MAGI?

	Premium Tax Credits		
	HH	Income	FPL
Jill	2	\$25,000	156%
Ryan	2	\$25,000	156%

- Ryan's income is above the tax filing threshold for a dependent, so his income is counted towards the household's MAGI

Example: Single Adult with Dependent

Jill and Ryan

- Jill lives with Ryan, her 17-year-old grandson, and claims him as a tax dependent
- Jill's income: \$18,000
- Ryan's income **from a part-time job**: \$7,000
- Ryan's income **from Social Security survivors' benefits**: \$7,000



Whose income is counted in the household MAGI?

	Premium Tax Credits		
	HH	Income	FPL
Jill	2	\$32,000	200%
Ryan	2	\$32,000	200%

- Ryan's income is above the tax filing threshold for a dependent, so his income (including Social Security) is counted towards the household's MAGI

How Marketplaces and Medicaid Combine Household and Income Rules to Determine Eligibility

Example: Three-Generation Household

Sonya, Kyla and Diane

- Sonya lives with and supports her 60-year-old mother, Diane and 7-year-old daughter, Kyla
- Sonya's annual income is \$35,000
- Diane makes \$3,000 doing odd jobs
- Sonya is the tax filer and claims Diane and Kyla as tax dependents



How does eligibility for this family work?

	Medicaid			Premium Tax Credits			Outcome
	HH	Income	FPL	HH	Income	FPL	
Sonya	3	\$35,000	174%	3	\$35,000	174%	PTCs
Kyla	3	\$35,000	174%	3	\$35,000	174%	Medicaid/CHIP
Diane	1	\$3,000	25%	3	\$35,000	174%	Depends on state

Example: Non-Married Parents

Dan, Jen, Drew and Mary

- Dan and Jen live together with their children, Drew and Mary
- Dan's income is \$18,000
- Jen's income is \$26,000
- For taxes, Jen files as Head of Household and claims the children, Dan files as Single



How does eligibility for this family work?

	Medicaid			Premium Tax Credits			Outcome
	HH	Income	FPL	HH	Income	FPL	
Dan	1	\$18,000	152%	1	\$18,000	152%	PTCs
Jen	3	\$26,000	129%	3	\$26,000	129%	Depends on state
Drew	4	\$44,000	181%	3	\$26,000	129%	Medicaid/CHIP
Mary	4	\$44,000	181%	3	\$26,000	129%	Medicaid/CHIP

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For more information and resources, please visit:

www.healthreformbeyondthebasics.org

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