Part II:
Determining Households and Income
Coverage Year 2018

Center on Budget and Policy Priorities
September 21, 2017
Why Household Size Matters
Why Household Size and Composition Matter

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

<table>
<thead>
<tr>
<th>Household Size</th>
<th>% of Federal Poverty Line (2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>1</td>
<td>$12,060</td>
</tr>
<tr>
<td>2</td>
<td>$16,240</td>
</tr>
<tr>
<td>3</td>
<td>$20,420</td>
</tr>
<tr>
<td>4</td>
<td>$24,600</td>
</tr>
<tr>
<td>5</td>
<td>$28,780</td>
</tr>
</tbody>
</table>

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

Note: 2017 federal poverty guidelines are used to determine eligibility for 2018 coverage.
Expected Premium Contributions for 2018 Plan Year

Household Income (% of FPL)

Expected Premium Contribution (% of Income)

- 0%
- 2%
- 4%
- 6%
- 8%
- 10%
- 12%

- 2.01%
- 3.02%
- 3.32%
- 4.03%
- 6.34%
- 8.10%

Health Reform: Beyond the Basics
Why Tax Filing Status Matters
What Filing Statuses are Available to Taxpayers?

- **Single**: Is unmarried, or legally separated or divorced (as defined by state law).
- **Married Filing Jointly**: A person is legally married, whether living with or apart from his or her spouse, and files taxes together with his or her spouse.
- **Married Filing Separately**: A person is legally married, whether living with or apart from his or her spouse, and files taxes separately from his or her spouse.
- **Head of Household**: A person is unmarried or considered unmarried for tax purposes, pays more than half of the costs of keeping up the home for a qualifying person whom he or she will claim as a dependent.
- **Qualifying Widow(er) w/ dependent child**: A person has a spouse who passed away in the two previous tax years, has a child or step-child who meets the definition of a Qualifying Child, and pays more than half the cost of keeping up the home for that child.
Marital Status and Premium Tax Credits

• In general, a person who is married must file jointly with his or her spouse in order to be eligible for PTC

• **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 PTC)
Exceptions to the Joint Filing Requirement for PTC

Head of Household

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

<table>
<thead>
<tr>
<th>When can a married person file as Head of Household?</th>
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<td>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:</td>
</tr>
<tr>
<td>□ Will you file taxes separately from your spouse?</td>
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<td>□ Will you live apart from your spouse from July 1 to Dec 31?</td>
</tr>
<tr>
<td>□ Will you pay more than half of the cost of keeping up your home?</td>
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<tr>
<td>□ Will your child, stepchild, or foster child (of any age) live with you for more than half the year?</td>
</tr>
<tr>
<td>□ Will either you or the child’s other parent claim the child as a dependent?</td>
</tr>
</tbody>
</table>

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.
Example: Head of Household

Chuck and Dante
• Chuck is separated from his wife but not divorced. They 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?

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✓ 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.
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?

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?

X NO, because he is not supporting a child who is his dependent
Exceptions to the Joint Filing Requirement for PTC

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

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: These exceptions can be used by people filing as “Married Filing Separately” for a maximum of three consecutive years
Determining Households for Premium Tax Credits
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

Health Reform: Beyond the Basics
The parent that claims the child as a tax dependent can claim PTC 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 PTC 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 PTC 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 2017 (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...

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- Doesn’t provide more than half of her own support

No
Example: Can Jane be claimed as a tax dependent?

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• 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?

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- Gross income less than $4,050 in 2017 (generally doesn’t include social security)

Yes
Determining Households for MAGI Medicaid
Determining Households for 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
### Summary of Medicaid Household Rules

<table>
<thead>
<tr>
<th>Tax filer not claimed as a dependent</th>
<th>Tax dependent</th>
<th>Non-filer / non-dependent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual’s household is:</td>
<td>Individual’s household is:</td>
<td>For individuals age 19 and above:</td>
</tr>
<tr>
<td>- Tax filer and all persons whom taxpayer expects to claim as a dependent(^1),(^2),(^3),(^4)</td>
<td>- The household of the tax filer claiming individual as a dependent(^2),(^3),(^4)</td>
<td>- Household is the individual plus, if living with individual, spouse and children under age 19(^3),(^4),(^5)</td>
</tr>
<tr>
<td></td>
<td>EXCEPTIONS (apply the rules for non-filer)</td>
<td>For individuals under age 19(^5):</td>
</tr>
<tr>
<td></td>
<td>- Tax dependents not a child of the taxpayer</td>
<td>- Household is the individual plus siblings under 19(^5), parents (including step-parents) and children living with individual(^3),(^4)</td>
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<td></td>
<td>- Individuals under 19(^5) living with both parents not expected to file a joint return</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Individuals under 19(^5) claimed as tax dependent by non-custodial parents</td>
<td></td>
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</table>

\(^1\) For married couples filing jointly, each spouse is considered a tax filer

\(^2\) Married couples living together are always in each other’s household regardless of how they file

\(^3\) A pregnant woman is counted as herself plus the number of children she is expecting

\(^4\) For individuals whose household includes a pregnant woman, states can count the pregnant woman as 1, 2, or 1 plus the number of children she is expecting

\(^5\) States can extend the age limit to include individuals under 21 who are full-time students.
**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

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**What are the Medicaid households for this family?**

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<tr>
<th></th>
<th>Counted in Household</th>
<th>HH Size for Medicaid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teresa</td>
<td>✓        ✓          ✓  ✓  ✓</td>
<td>4</td>
</tr>
<tr>
<td>Antonio</td>
<td>✓        ✓          ✓  ✓  ✓</td>
<td>4</td>
</tr>
<tr>
<td>Gaby</td>
<td>✓        ✓          ✓  ✓  ✓</td>
<td>4</td>
</tr>
<tr>
<td>Michael</td>
<td>✓        ✓          ✓  ✓  ✓</td>
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</tr>
<tr>
<td>Michael</td>
<td>✓</td>
<td>4</td>
</tr>
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**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?

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<tr>
<th></th>
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</thead>
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<tr>
<td>Sonya</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Kyla</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Diane</td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

**MEDICAID HH RULE**

**TAX FILER**

- Tax filer
- Spouse and dependents on the tax return
Example: Three-Generation Household

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<tbody>
<tr>
<td>Sonya</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Kyla</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Diane</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

MEDICAID HH RULE

TAX DEPENDENT

✓ Same household as tax filer claiming individual as dependent
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.

<table>
<thead>
<tr>
<th>Counted in Household</th>
<th>Sonya</th>
<th>Kyla</th>
<th>Diane</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sonya</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Kyla</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Diane</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>HH Size for Medicaid</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

**MEDICAID HH RULE**

**NON-FILER**

**NON-DEPENDENT**

If 19 or older:
- ✓ Individual
- ✓ Spouse and children living with individual
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?

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<tr>
<th></th>
<th>Counted in Household</th>
<th>HH Size for Medicaid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dan</td>
<td>✓</td>
<td>1</td>
</tr>
<tr>
<td>Jen</td>
<td>✓ ✓ ✓ ✓</td>
<td>3</td>
</tr>
<tr>
<td>Drew</td>
<td>✓ ✓ ✓ ✓</td>
<td>4</td>
</tr>
<tr>
<td>Mary</td>
<td>✓ ✓ ✓ ✓</td>
<td>4</td>
</tr>
</tbody>
</table>

**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.

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**MEDICAID HH RULE**

**NON-FILER NON-DEPENDENT**

*If Under 19:*
✓ Individual
✓ Siblings, parents, and children living with individual
What Counts as Income for PTC and Medicaid
What Is MAGI?

**Adjusted Gross Income (AGI)**
As defined by the IRS, AGI is gross income minus adjustments to income

*Line 37, IRS Form 1040*

**Non-Taxable Social Security Benefits**
Social Security benefits not included in gross income

*Line 20a minus 20b, IRS Form 1040*

**Tax-Exempt Interest**
Interest income that is not subject to federal income tax

*Line 8b, IRS Form 1040*

**Excluded Foreign Income**
Foreign earned income excluded from taxation of individuals who live abroad

*Lines 45 and 50, IRS Form 2555*

= **Modified Adjusted Gross Income (MAGI)**
General Rules About Counting Income

• Income can come in the form of money, goods, or services

• Cash income is taxable and included 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”
General Rules About Counting Income

All income is taxable unless specifically excluded by law from taxation

<table>
<thead>
<tr>
<th>Examples of Taxable Income</th>
<th>Examples of Non-Taxable Income</th>
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<td>Wages, salaries, bonuses</td>
<td>TANF payments</td>
</tr>
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<td>Alimony received</td>
<td>Child support payments</td>
</tr>
<tr>
<td>Self-employment income</td>
<td>Sickness and injury payments</td>
</tr>
<tr>
<td>Tips and gratuities</td>
<td>Supplemental Security Income (SSI)</td>
</tr>
<tr>
<td>Farm income</td>
<td>Veterans’ benefits</td>
</tr>
<tr>
<td>Rent income</td>
<td>Workers’ compensation</td>
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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

For more information, see the Health Reform: Beyond the Basics Health Care Assister Guide to Tax Rules
When to Count a Dependent’s Income

Household’s Income:
- 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 2017): |
|---------------------------------|-----------------|-----------------|-----------------|
| **Unearned** income is more than | **OR**          | **Earned** income is more than | **OR**          |
| $1,050                          |                 | $6,350           | **Taxable gross income** is more than the larger of: |
|                                 | **OR**          |                 | $1,050          |
|                                 |                 | **OR**          | Earned income (up to $6,000) + $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 the household income

For more information, see the *Health Reform: Beyond the Basics Health Care Assister Guide to Tax Rules*
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 income?

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<td>Jill</td>
<td>2</td>
</tr>
<tr>
<td>Ryan</td>
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- 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

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- Ryan’s income is above the tax filing threshold for a dependent so his income is counted towards the household income
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- Ryan’s income is above the tax filing threshold for a dependent so his income (including Social Security) is counted towards the household income
How Marketplaces and Medicaid Combine Household and Income Rules to Determine Eligibility
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?

<table>
<thead>
<tr>
<th></th>
<th>Medicaid</th>
<th>Premium Tax Credits</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HH</td>
<td>Income</td>
<td>FPL</td>
</tr>
<tr>
<td>Sonya</td>
<td>3</td>
<td>$35,000</td>
<td>171%</td>
</tr>
<tr>
<td>Kyla</td>
<td>3</td>
<td>$35,000</td>
<td>171%</td>
</tr>
<tr>
<td>Diane</td>
<td>1</td>
<td>$3,000</td>
<td>25%</td>
</tr>
</tbody>
</table>
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?

<table>
<thead>
<tr>
<th></th>
<th>Medicaid</th>
<th>Premium Tax Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HH</td>
<td>Income</td>
</tr>
<tr>
<td>Dan</td>
<td>1</td>
<td>$18,000</td>
</tr>
<tr>
<td>Jen</td>
<td>3</td>
<td>$26,000</td>
</tr>
<tr>
<td>Drew</td>
<td>4</td>
<td>$44,000</td>
</tr>
<tr>
<td>Mary</td>
<td>4</td>
<td>$44,000</td>
</tr>
</tbody>
</table>

Outcome

- PTC
- Depends on state
- Medicaid/CHIP
- Medicaid/CHIP
Contact Info

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• General inquiries: beyondthebasics@cbpp.org

For more information and resources, please visit: www.healthreformbeyondthebasics.org

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Upcoming Webinars

Part III: Plan Design
• Tuesday, September 26 | 2:00 pm ET (11:00 am PT)

Part IV: Exemptions and Penalties
• Thursday, September 28 | 2:00 pm ET (11:00 am PT)

Immigrant Eligibility for Coverage Programs
• Wednesday, October 4 | 2:00 pm ET (11:00 am PT)

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