



Health Reform: **Beyond the Basics**

healthreformbeyondthebasics.org

Part II:

Determining Households and Income

Coverage Year 2019

Center on Budget and Policy Priorities

September 18, 2018

Why Household Size Matters

The federal poverty line (FPL) calculation requires...

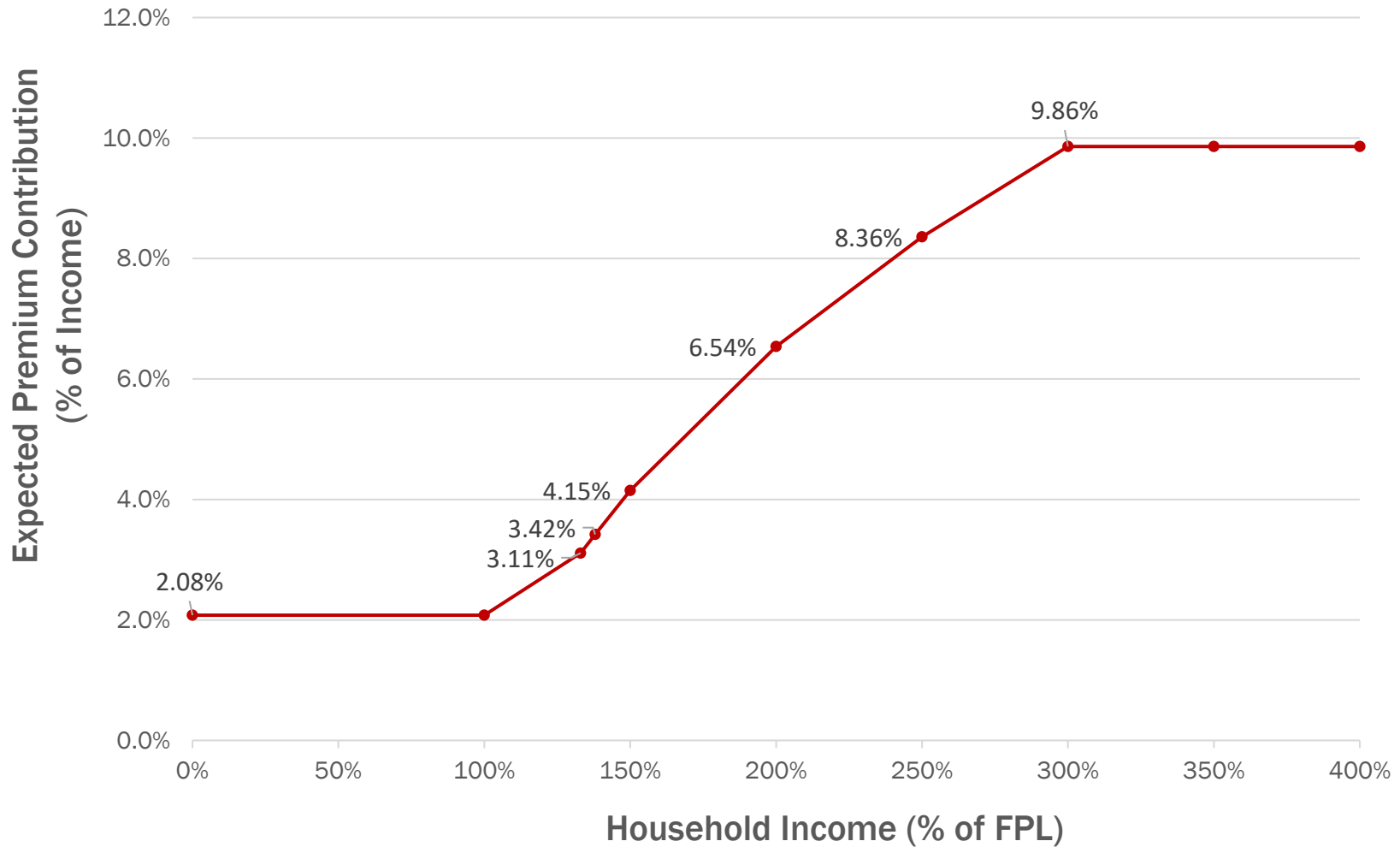
- Number of individuals in a household
- Income of household members

...to determine premium tax credit and cost-sharing reduction eligibility

Household Size	% of Federal Poverty Line (2019 coverage)				
	100%	138%	200%	250%	400%
1	\$12,140	\$16,753	\$24,280	\$30,350	\$48,560
2	\$16,460	\$22,715	\$32,920	\$41,150	\$65,840
3	\$20,780	\$28,676	\$41,560	\$51,950	\$83,120
4	\$25,100	\$34,638	\$50,200	\$62,750	\$100,400
5	\$29,420	\$40,600	\$58,840	\$73,550	\$117,680

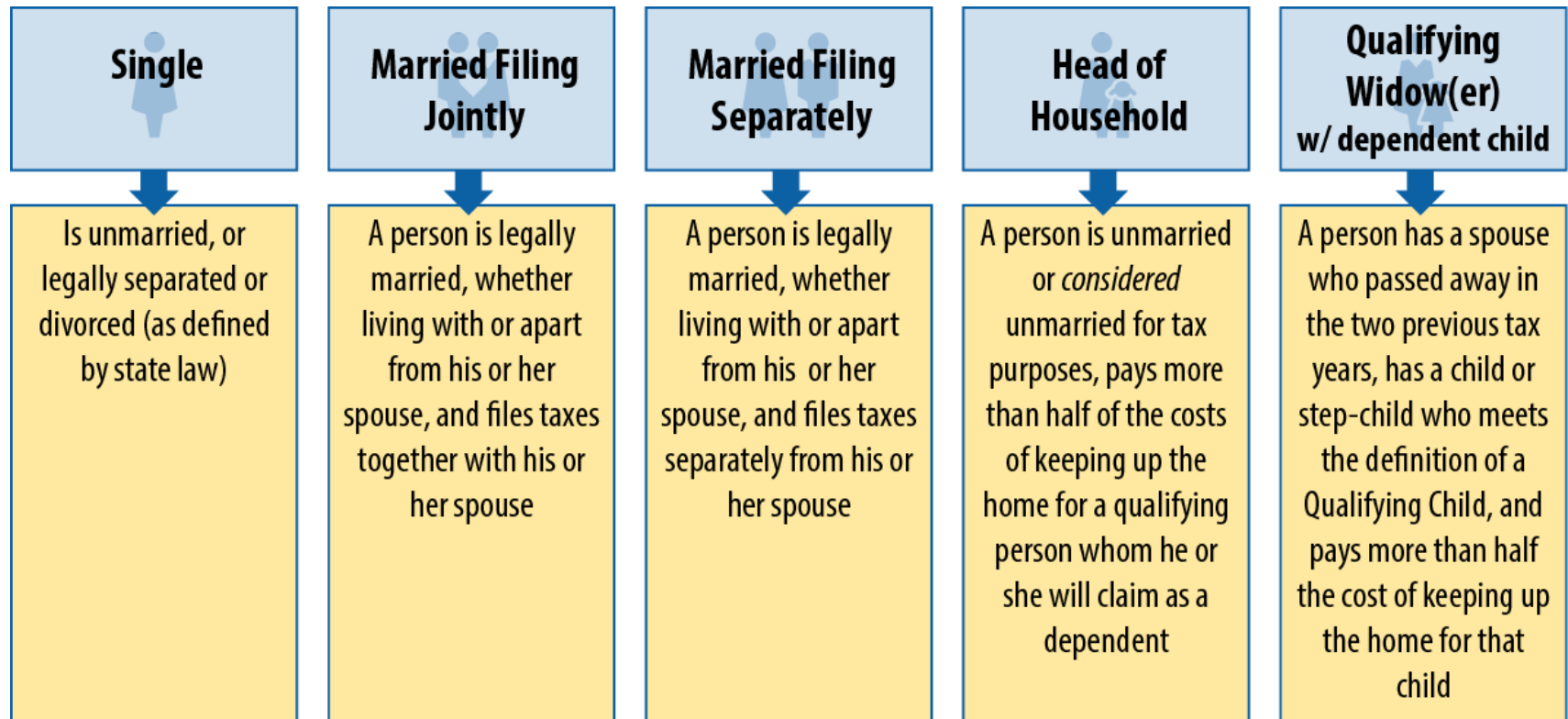
Expected Premium Contributions for 2019 Plan Year

4



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 PTC
- **Three exceptions** to the joint filing requirement
 - Head of Household
 - Domestic abuse
 - Abandoned spouse
- **If an exception applies, the marketplace applicant can indicate that he or she is not married**

Is Jane Taxpayer married?

☐ Yes

☒ No

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)

Head of Household

- A married person can claim to be unmarried on the application if they qualify to file as Head of Household

Is Jane Taxpayer married?

☐ Yes

☒ No

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?
- ☐ Is yours the main home of your child, stepchild, or foster child (of any age) for more than half the year?
- ☐ Are you eligible to claim the child as a dependent? (You meet this test if you are eligible to claim the child but the child is instead claimed by a noncustodial parent.)

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.

Note: A special rule allows the resident spouse of a nonresident (as defined for tax purposes) to qualify as *considered unmarried* if they have a qualifying person and meet the other tests.

Marisa and Amelie

- Marisa lives separately from her husband but is not yet divorced. They will not file taxes together or live together at any point in 2019.
- Amelie is Marisa's teenage daughter. Amelie lives with Marisa during the school year and with her father during the summer.



Does Marisa 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?
- ✓ Is yours the main home of your child, stepchild, or foster child (of any age) for more than half the year?
- ✓ Are you eligible to claim the child as a dependent? (You meet this test if you are eligible to claim the child but the child is instead claimed by a noncustodial parent.)

✓ **YES**, Marisa qualifies to file as Head of Household because she is *considered unmarried* by the IRS.

Therefore, when Marisa is asked if she is married, she can say No.

But what if...

- Marisa moves out of the area to care for an ailing relative. Amelie moves in with her father to finish her last year of high school and will live with him for more than half the year.



Does Marisa 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 you pay more than half of the cost of keeping up your home?
- ☒ Is yours the main home of your child, stepchild, or foster child (of any age) for more than half the year?
- ☒ Are you eligible to claim the child as a dependent? (You meet this test if you are eligible to claim the child but the child is instead claimed by a noncustodial parent.)

X NO, because she will not be the main home of her dependent child for more than half the year.

Is Marisa married?

- ☒ Yes
☐ No

Does Marisa plan to file a joint federal income tax return with her spouse for 2019?

- ☐ Yes
☒ No

A married person can claim to be unmarried on the marketplace application under either of these circumstances:

Is Jane Taxpayer married?

☐ Yes

☒ No

Domestic abuse

- A taxpayer who is Married Filing Separately can meet joint filing requirement if:
 - ✓ Live apart from their spouse
 - ✓ Unable to file a joint return because of domestic abuse

Abandoned spouses

- A taxpayer who is Married Filing Separately can meet joint filing requirement if:
 - ✓ Live apart from their spouse
 - ✓ Unable to locate spouse after using reasonable 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

Household: An individual's tax unit

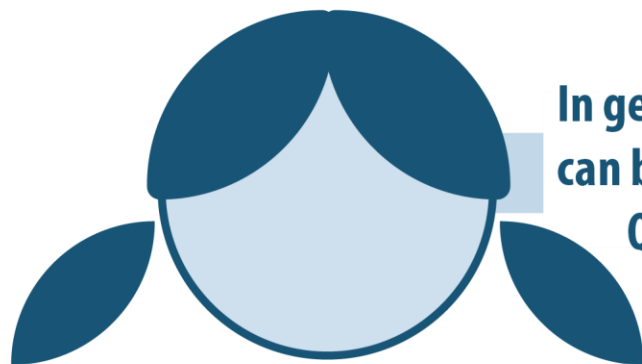
- Includes all individuals on a taxpayer's return
- Can include:
 - ✓ **Self and spouse**
 - ✓ **Tax dependents**
- A household includes all individuals in the tax unit even if they are ineligible for a premium tax credit or have another source of insurance coverage

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

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



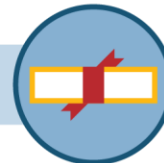
**In general a child
can be claimed as a
Qualifying Child
if she...**



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

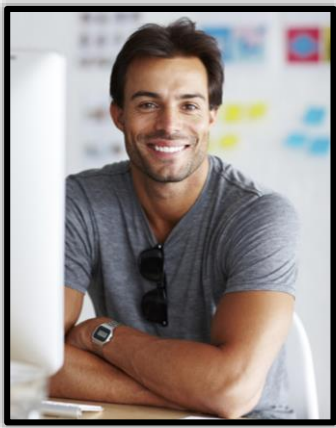
The parent that claims the child as a tax dependent can claim PTC for the child

Usually this is the custodial parent:



- If the custodial parent claims the child on the tax return, the custodial parent can claim PTC for the child

But sometimes a child is claimed by the noncustodial parent:

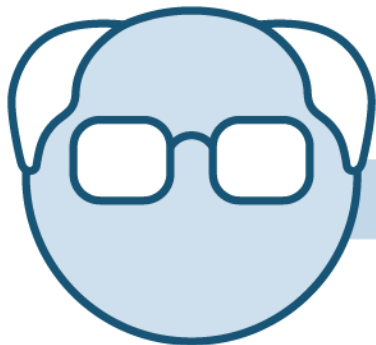


- The custodial parent must sign a tax form granting the noncustodial parent the child's exemption (Form 8332)
- If permitted to claim the child as a dependent, the noncustodial parent can claim PTC for the child

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 \$4,150 in 2018 (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

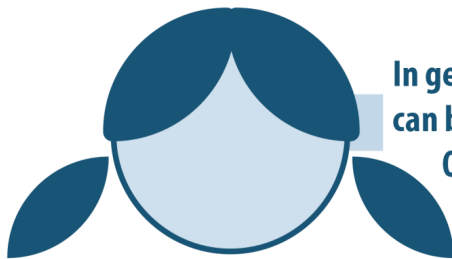


Can Jane be claimed as a Qualifying Child?

✗ No

Children

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



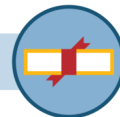
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Lives with the tax filer for more than half the year



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



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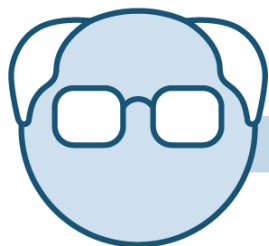


Can Jane be claimed as a Qualifying Relative?

✓ Yes

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...



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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 \$4,150 in 2018 (generally doesn't include social security)



Example: Can Jay be claimed as a tax dependent?

Jay and Kim

- Live together but are not married
- Kim earns \$24,000 a year
- Jay is a musician and earns \$3,500 a year

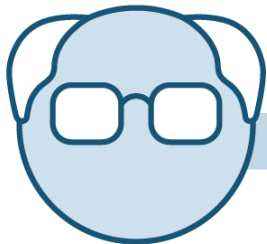


Can Jay be claimed as a Qualifying Relative?

✓ Yes

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 \$4,150 in 2018 (generally doesn't include social security)



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)

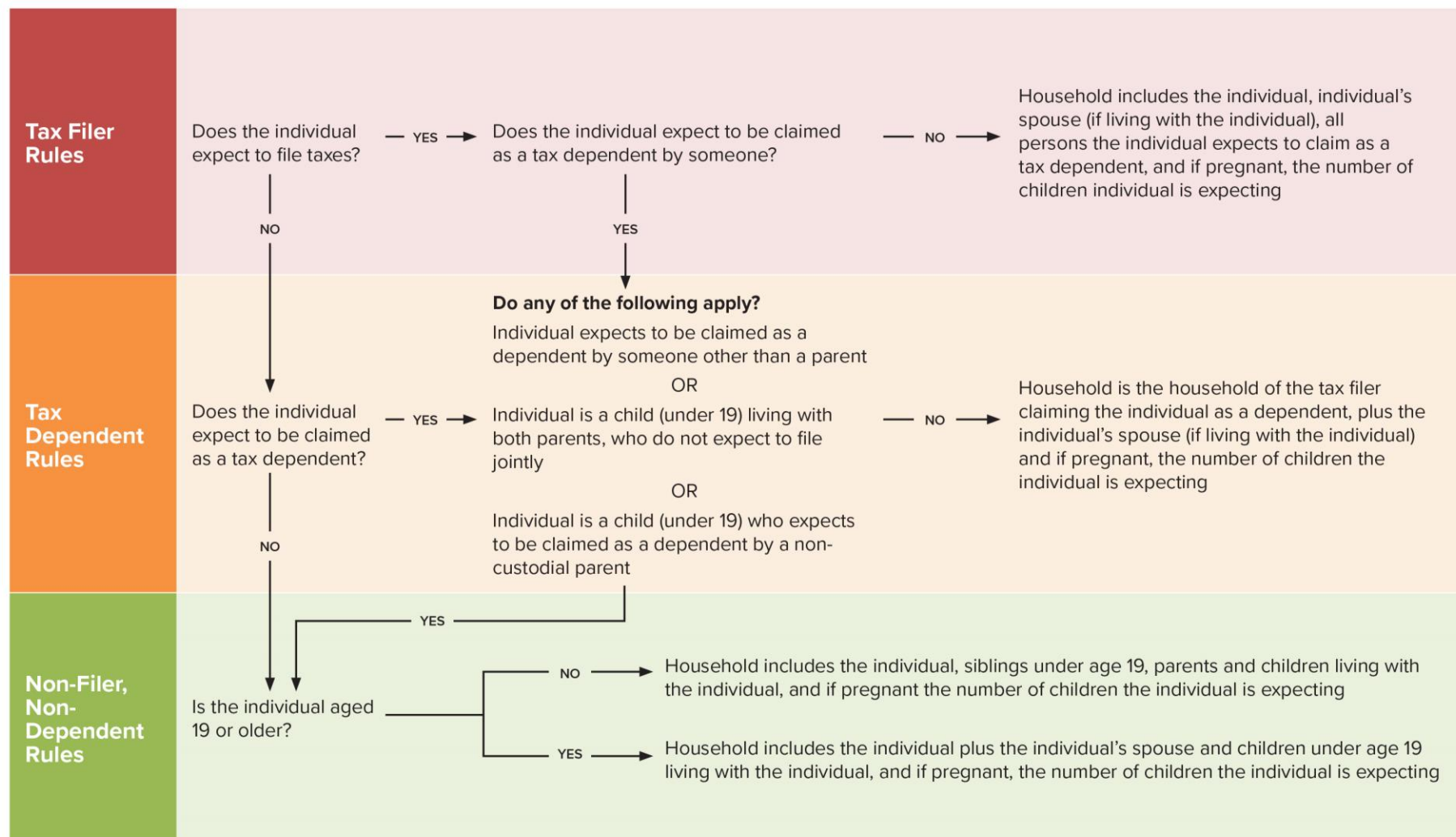
3 Non-filers not claimed as a tax dependent

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>

Summary of Medicaid Household Rules



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

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 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

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

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

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

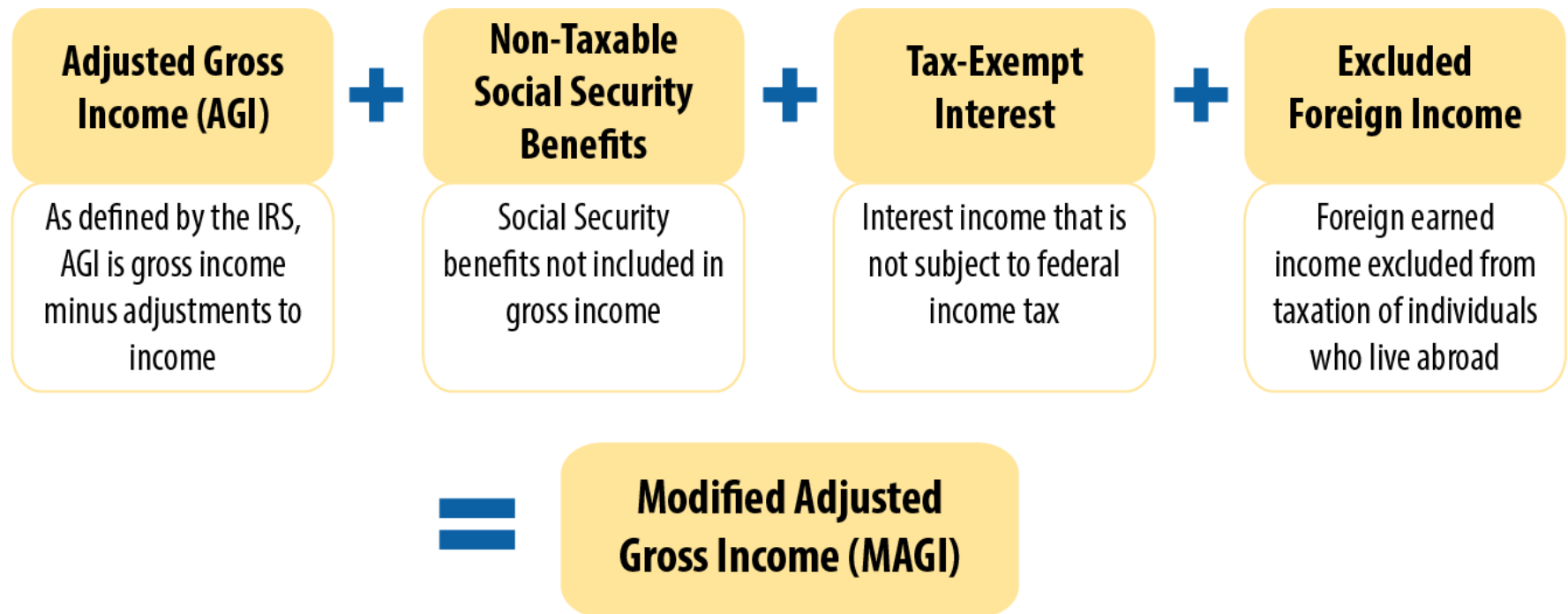
NON-FILER NON-DEPENDENT

If Under 19:

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

What Counts as Income for PTC and Medicaid

What Is Modified Adjusted Gross Income (MAGI)?



- 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 work 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
Self-employment income	Child support payments
Tips and gratuities	Sickness and injury payments
Farm income	Supplemental Security Income (SSI)
Rent income	Veterans' benefits
Hobby income	Workers' compensation
See IRS Publications 17 and 525 for more details on what income is taxable and not taxable	

- Pre-tax deductions (such as contributions to a retirement plan) 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



Advice for estimating income:

- Does the person have regular monthly income?
- If no regular income, what jobs are lined up for the year?
- If no good projected estimate, consider adding or subtracting from previous year's income (if available)
- Make estimates by job or by month (using receipts, invoices, bank records, etc.)

Advice for estimating expenses:

- Does the person have regular monthly expenses?
- What large expenses does the person anticipate?
- What were the person's expenses in previous year?
- Use receipts, credit card/debit card records, known costs of supplies

What types of business expenses may be deductible?

- | | |
|------------------------------|---|
| ▪ Advertising | ▪ Rent/lease/repair of equipment |
| ▪ Commissions | ▪ Business meals and entertainment |
| ▪ Contract labor | ▪ Telephone and utilities |
| ▪ Legal or professional fees | ▪ Business mileage or transportation expenses |
| ▪ Office supplies | |

Deductions

- There are several changes to deductions:
 - Moving expenses are no longer deductible
 - Student loan debt forgiven due to the death or disability is no longer income
 - Starting with judgments after January 1, 2019, neither spouse will include alimony on the tax return (Others can choose to adopt this method)
 - The tuition and fees deduction expired at the end of 2017 (however, Congress has renewed it retroactively in the past)

Who Can Be Claimed as a Dependent Doesn't Change

- The rules about who can be claimed as a dependent don't change, even though exemption deductions are eliminated

Dependent Filing Requirement

- The filing requirement for dependents is higher
 - If dependents don't need to file and include their MAGI, some families will have lower household income
 - **Result:** More people may now qualify for Medicaid or receive a higher premium tax credit

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 2018):

Unearned income is more than \$1,050	OR	Earned income is more than \$12,000	OR	Taxable gross income is more than the larger of: \$1,050 Earned income (up to \$11,650) + \$350
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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

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: \$13,000



Whose income is counted in the household income?

	Premium Tax Credits		
	HH	Income	FPL
Jill	2	\$18,000	109%
Ryan	2	\$18,000	109%

- 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**: \$13,000



Whose income is counted in the household income?

	Premium Tax Credits		
	HH	Income	FPL
Jill	2	\$31,000	188%
Ryan	2	\$31,000	188%

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

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: \$13,000
- Ryan's income from Social Security survivors' benefits: \$13,000



Whose income is counted in the household income?

	Premium Tax Credits		
	HH	Income	FPL
Jill	2	\$44,000	267%
Ryan	2	\$44,000	267%

- 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?

	Medicaid			Premium Tax Credits			Outcome
	HH	Income	FPL	HH	Income	FPL	
Sonya	3	\$35,000	168%	3	\$35,000	168%	PTC
Kyla	3	\$35,000	168%	3	\$35,000	168%	Medicaid/CHIP
Diane	1	\$3,000	25%	3	\$35,000	168%	Depends on state

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	148%	1	\$18,000	148%	PTC
Jen	3	\$26,000	125%	3	\$26,000	125%	Depends on state
Drew	4	\$44,000	175%	3	\$26,000	125%	Medicaid/CHIP
Mary	4	\$44,000	175%	3	\$26,000	125%	Medicaid/CHIP

- Reference Guide: [Yearly Guidelines and Thresholds](#)
 - [Coverage Year 2019 \(PDF\)](#)
- Reference Guide: [Medicaid Household Rules](#)
- Update: [Changes to MAGI in 2018](#)
- Guide: [Health Assister's Guide to Tax Rules](#)
- Key Facts:
 - [Determining Households for Medicaid and CHIP](#)
 - [Determining Households for PTC](#)
 - [Income Definitions for Marketplace and Medicaid Coverage](#)

- Shelby Gonzales, gonzales@cbpp.org
- Tara Straw, tstraw@cbpp.org
- Halley Cloud, cloud@cbpp.org
- General inquiries: beyondthebasics@cbpp.org

For more information and resources, please visit:

www.healthreformbeyondthebasics.org

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