



Health Reform: **Beyond the Basics**

[healthreformbeyondthebasics.org](http://healthreformbeyondthebasics.org)

**Part II:**

# **Determining Households and Income**

*Coverage Year 2018*

***Center on Budget and Policy Priorities***

*September 21, 2017*

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# 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 (2017)				
	100%	138%	200%	250%	400%
1	\$12,060	\$16,643	\$24,120	\$30,150	\$48,240
2	\$16,240	\$22,411	\$32,480	\$40,600	\$64,960
3	\$20,420	\$28,180	\$40,840	\$51,050	\$81,680
4	\$24,600	\$33,948	\$49,200	\$61,500	\$98,400
5	\$28,780	\$39,716	\$57,560	\$71,950	\$115,120

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

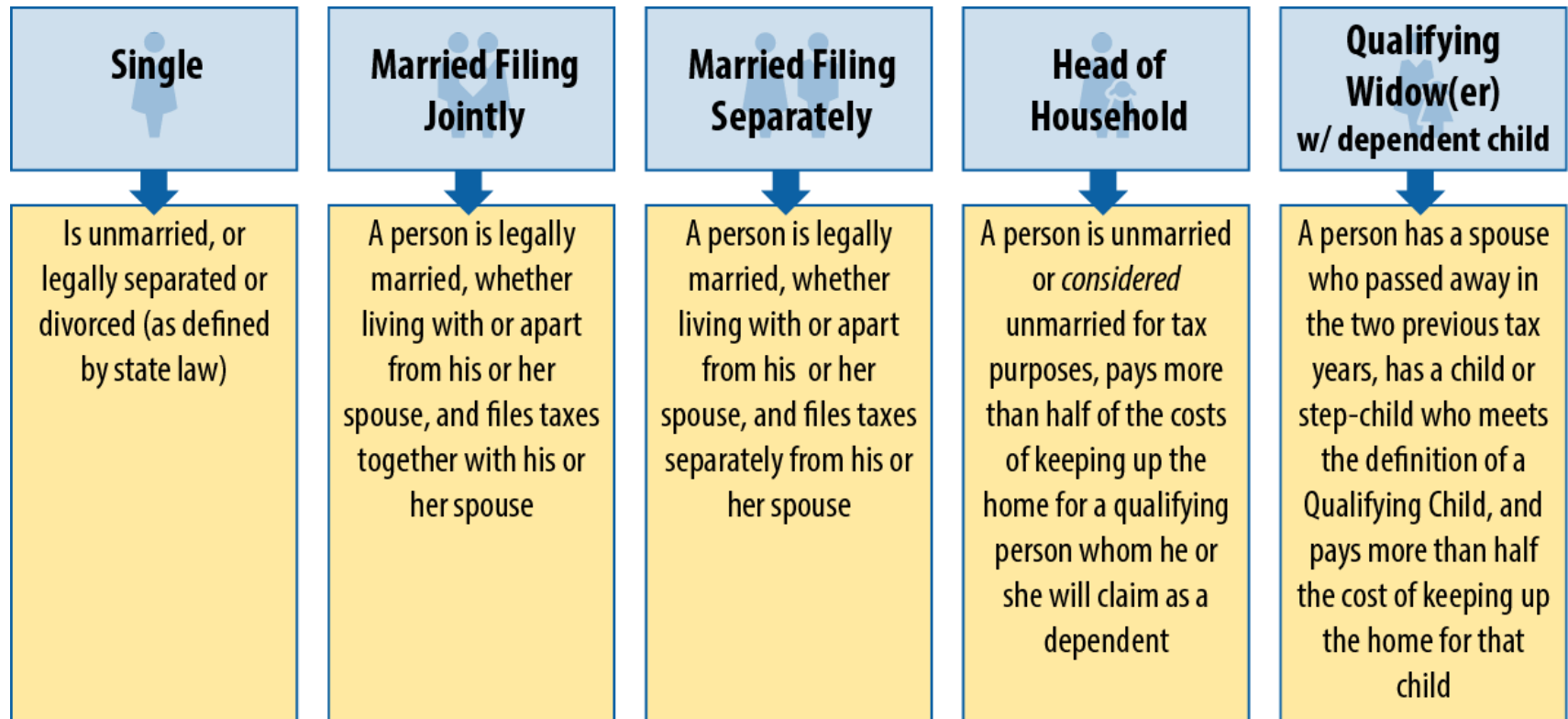
# Expected Premium Contributions for 2018 Plan Year



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# 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

**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

- 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.

### 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:

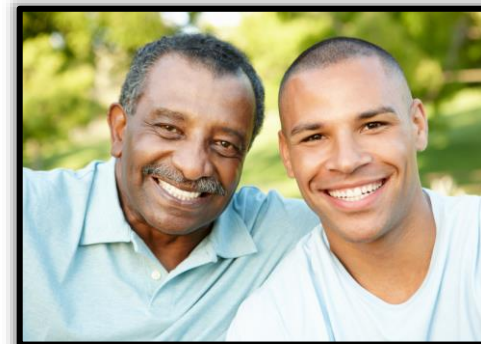
- ☐ Will you file taxes separately from your spouse?
- ☐ Will you live apart from your spouse from July 1 to Dec 31?
- ☐ Will you pay more than half of the cost of keeping up your home?
- ☐ Will your child, stepchild, or foster child (of any age) live with you for more than half the year?
- ☐ Will either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

- 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?

### 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.

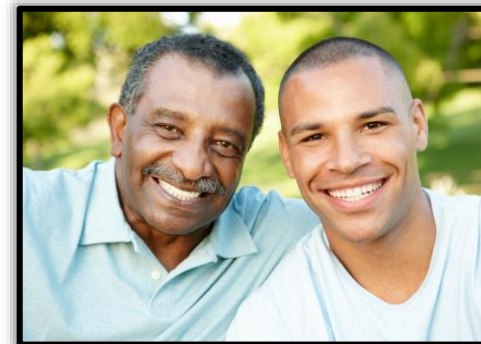
### Is Chuck married?

☐ Yes

☒ No

## 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?
- ☒ 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

### Is Chuck married?

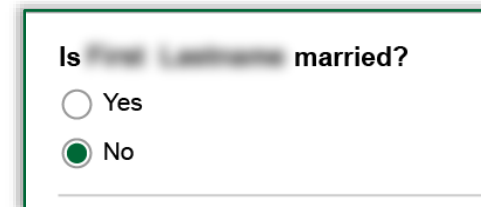
- ☒ Yes  
☐ No

### Does Chuck plan to file a joint federal income tax return with his spouse for 2018?

- ☐ 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:** These exceptions can be used by people filing as “Married Filing Separately” for a maximum of three consecutive years

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# Determining Households for Premium Tax Credits

**Household:** An individual's tax unit

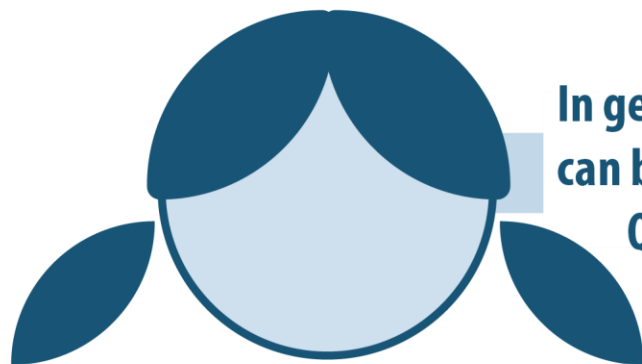
- Includes all individuals for whom a taxpayer will claim a personal exemption
- Taxpayers can claim a personal exemption for:
  - ✓ **Self and spouse**
  - ✓ **Tax dependents**
- A household includes all individuals in the tax unit even if they are ineligible for premium tax credits or have another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

## 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



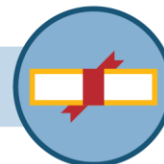
**In general a child  
can be claimed as a  
Qualifying Child  
if she...**



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**

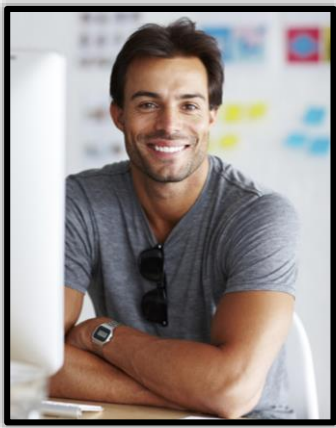
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**Usually this is the custodial parent:**



- 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:**

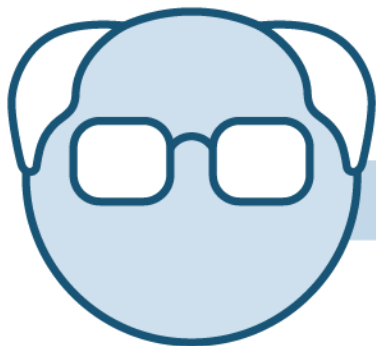


- The custodial parent must sign a tax form granting the noncustodial parent the child's exemption (Form 8332)
- If granted the child's personal exemption, the noncustodial parent is also responsible for the child's insurance or penalty for being uninsured
- The noncustodial parent can claim PTC for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

## 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

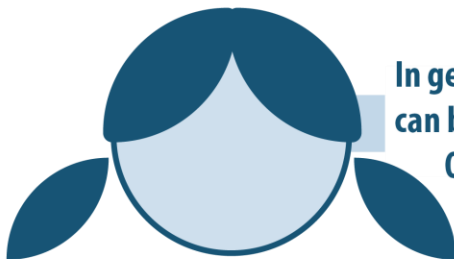
- 27 years old
- Lives with parents, rent-free
- Starting a new career. Works as an unpaid intern and has no earnings



## 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...



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

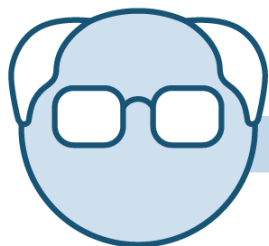
- 27 years old
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## Can Jane be claimed as a Qualifying Relative?

### Other individuals

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



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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)



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

## 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

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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

## 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

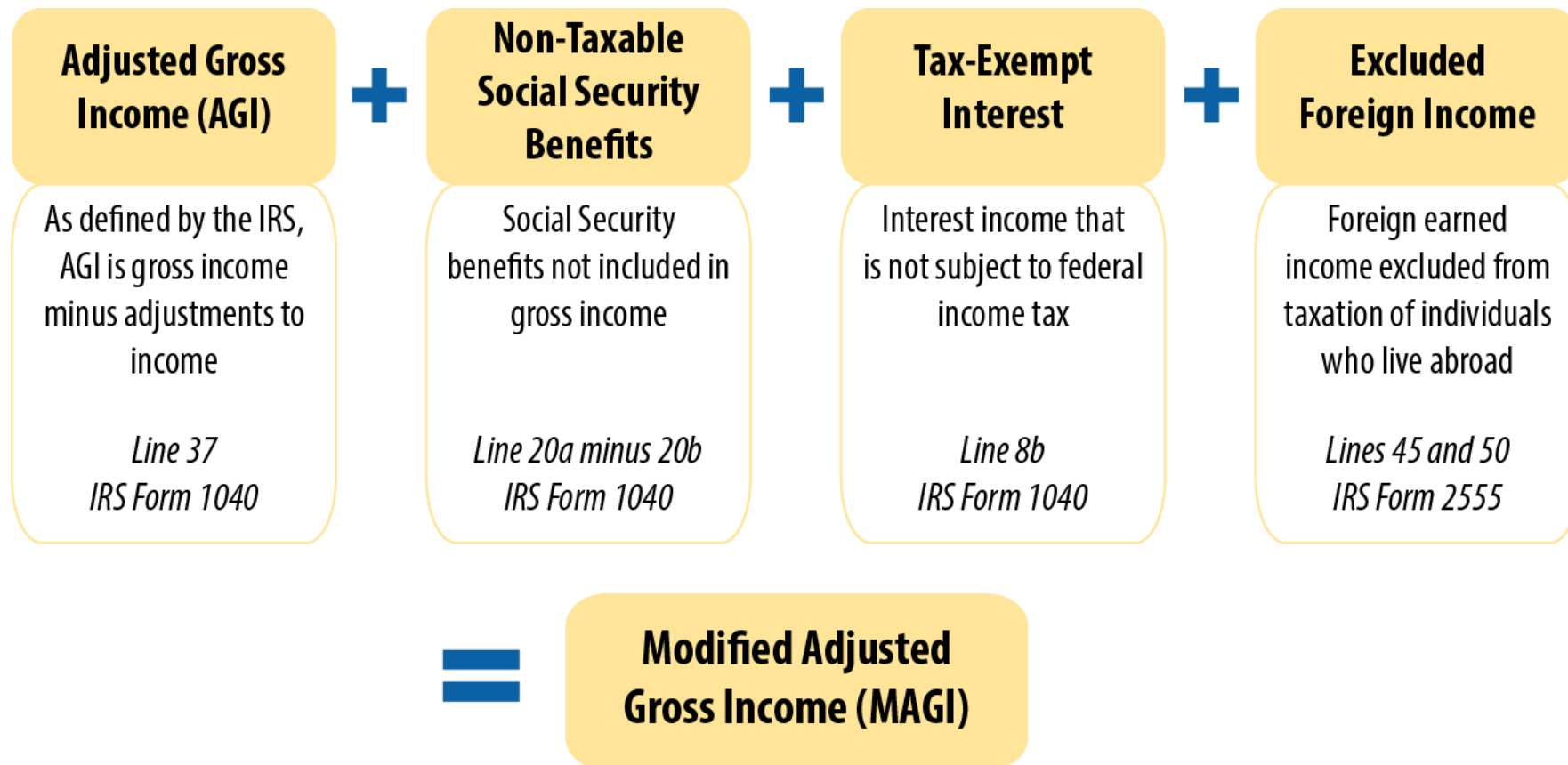
#### **NON-FILER NON-DEPENDENT**

*If Under 19:*

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

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# What Counts as Income for PTC and Medicaid





- 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”*





**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



## 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):**

<b>Unearned</b> income is more than \$1,050	<b>OR</b>	<b>Earned</b> income is more than \$6,350	<b>OR</b>	<b>Taxable gross income</b> is more than the larger of: \$1,050      Earned income (up to \$6,000) + \$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: \$7,000



## Whose income is counted in the household income?

	Premium Tax Credits		
	HH	Income	FPL
Jill	2	\$18,000	111%
Ryan	2	\$18,000	111%

- 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 income?

	Premium Tax Credits		
	HH	Income	FPL
Jill	2	<b>\$25,000</b>	154%
Ryan	2	<b>\$25,000</b>	154%

- Ryan's income is above the tax filing threshold for a dependent so his income is counted towards the household 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
- Ryan's income from Social Security survivors' benefits: \$7,000



## Whose income is counted in the household income?

	Premium Tax Credits		
	HH	Income	FPL
Jill	2	\$32,000	197%
Ryan	2	\$32,000	197%

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

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# 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	171%	3	\$35,000	171%	PTC
Kyla	3	\$35,000	171%	3	\$35,000	171%	Medicaid/CHIP
Diane	1	\$3,000	25%	3	\$35,000	171%	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	149%	1	\$18,000	149%	PTC
Jen	3	\$26,000	127%	3	\$26,000	127%	Depends on state
Drew	4	\$44,000	179%	3	\$26,000	127%	Medicaid/CHIP
Mary	4	\$44,000	179%	3	\$26,000	127%	Medicaid/CHIP



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- General inquiries: [beyondthebasics@cbpp.org](mailto:beyondthebasics@cbpp.org)

For more information and resources, please visit:

[www.healthreformbeyondthebasics.org](http://www.healthreformbeyondthebasics.org)

*This is a project of the Center on Budget and Policy Priorities, [www.cbpp.org](http://www.cbpp.org)*

## 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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