

Modified Adjusted Gross Income under the Affordable Care Act

updated September 2020

Under the Affordable Care Act, eligibility for income-based Medicaid¹ and subsidized health insurance through the Marketplaces is calculated using a household's Modified Adjusted Gross Income (MAGI). The Affordable Care Act definition of MAGI under the Internal Revenue Code² and federal Medicaid regulations³ is shown below. For most individuals who apply for health coverage under the Affordable Care Act, MAGI is equal to Adjusted Gross Income. This document summarizes relevant federal regulations; it is not personalized tax or legal advice. Consult the Health Insurance Marketplace for your state, your local Medicaid agency, or a legal or tax advisor for assistance in determining your MAGI.

Modified Adjusted Gross Income (MAGI) =

Adjusted Gross Income (AGI)

Line on Form 1040

See page 2 for clarifications related to common benefits or sources of assistance provided during the COVID-19 pandemic

Include:

- Wages, salaries, tips, etc.
- Taxable interest
- Taxable amount of pension, annuity or IRA distributions and Social Security benefits⁴
- Business income, farm income, capital gain, other gains (or loss)
- Unemployment compensation
- Ordinary dividends
- Alimony received under settlements executed before 2019
- Rental real estate, royalties, partnerships, S corporations, trusts, etc.
- Taxable refunds, credits, or offsets of state and local income taxes
- Other income

Deduct:

- Certain self-employed expenses⁵
- Student loan interest deduction
- IRA deduction (traditional IRAs)
- Moving expenses for active members of the military
- Penalty on early withdrawal of savings
- Health savings account deduction
- Alimony paid under settlements executed before 2019
- Certain business expenses of reservists, performing artists, and fee-basis government officials
- Educator expenses

Note: Check the IRS website for detailed requirements for the income and deduction categories above. Do not include Veterans' disability payments, workers' compensation or child support received. Pre-tax contributions, such as those for child care, commuting, employer-sponsored health insurance, flexible spending accounts and retirement plans such as 401(k) and 403(b), are not included in AGI but are not listed above because they are already subtracted out of W-2 wages and salaries.

+ Add back certain income

- Non-taxable Social Security benefits⁴ (Line 5a minus Line 5b on Form 1040)
- Tax-exempt interest (Line 2a on Form 1040)
- Foreign earned income & housing expenses for Americans living abroad (Form 2555)

— For Medicaid eligibility Exclude from income

- Certain American Indian and Alaska Native income derived from distributions, payments, ownership interests, real property usage rights, and student financial assistance

¹ Medicaid eligibility is generally based on MAGI for parents and childless adults under age 65, children and pregnant women, but not for individuals eligible on the basis of being aged, blind, or disabled.

² 26 CFR 1.36B-1(e)(2)

³ 42 CFR 435.603(e)

⁴ "Social Security benefits" includes disability payments (SSDI), but does not include Supplemental Security Income (SSI), which should be excluded.

⁵ Deductible part of self-employment tax; SEP, SIMPLE, and qualified plans; health insurance deduction. See IRS Publication 974 for further details about calculating the deduction for tax households that also receive ACA premium tax credits.

Modified Adjusted Gross Income and COVID-19 relief policies:

Which common benefits or sources of assistance provided during the COVID-19 pandemic are included in calculating MAGI for purposes of determining health insurance program eligibility?

This table addresses common benefits and sources of assistance, including select provisions in federal policies enacted in response to the COVID-19 pandemic as of September 22, 2020. This document is not personalized tax or legal advice. Consult the Health Insurance Marketplace for your state, your state Medicaid agency, or a legal or tax adviser for assistance in determining your MAGI.

Income type	Included in income for Medicaid/Children's Health Insurance Program eligibility? <i>(based on current monthly income)</i>	Included in income for Marketplace subsidy eligibility? <i>(based on projected annual income)</i>
Recovery rebates—one-time cash payments for individuals (CARES Act)	No	No
Unemployment insurance (UI)		
Regular “base” UI	Yes	Yes
Lost Wages Assistance—additional \$300 or \$400 per week available to eligible UI recipients in certain states on a temporary basis (FEMA Disaster Relief Funds)	No	Yes
Pandemic Unemployment Compensation (PUC)—additional \$600 per week available to eligible UI recipients through July 31, 2020 (CARES Act)	No	Yes
Pandemic Emergency Unemployment Compensation (PEUC)—assistance available after exhausting state UI benefits (CARES Act)	Yes	Yes
Pandemic Unemployment Assistance (PUA)—for workers left out of state UI, including self-employed individuals (CARES Act)	Yes	Yes
Paid sick leave (Families First Act)	Yes	Yes
Paid family leave (Families First Act)	Yes	Yes
Workers compensation	No	No
Severance benefits	Yes (in month received)	Yes