

# Modified Adjusted Gross Income (MAGI) under the ACA

Under the Affordable Care Act, eligibility for income-based Medicaid/Child Health Insurance Program (CHIP)<sup>1</sup> and subsidized health insurance through the Marketplace will be calculated using a household's Modified Adjusted Gross Income (MAGI). The ACA definition of MAGI under the Internal Revenue Code<sup>2</sup> and federal Medicaid regulations<sup>3</sup> is shown below. For most individuals who apply for health coverage under the ACA, MAGI is equal to Adjusted Gross Income. This document summarizes relevant federal regulations; it is not personalized tax or legal advice. Consult the Oregon Health Insurance Marketplace or a legal or tax advisor for help to determine your MAGI.

## Modified Adjusted Gross Income (MAGI) =

### Adjusted Gross Income (AGI)

Line 4 on a Form 1040EZ  
Line 21 on a Form 1040A  
Line 37 on a Form 1040

#### Include:

- Wages, salaries, tips, etc.
- Taxable interest
- Taxable amount of pension, annuity or IRA distributions and Social Security benefits<sup>4</sup>
- Business income, farm income, capital gain, other gains (or loss)
- Unemployment compensation
- Ordinary dividends
- Alimony received
- 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 expenses<sup>5</sup>
- Student loan interest deduction
- Educator expenses
- IRA deduction
- Moving expenses
- Penalty on early withdrawal of savings
- Health savings account deduction
- Alimony paid
- Domestic production activities deduction
- Certain business expenses of reservists, performing artists, and fee-basis government officials

Note: Check the IRS website for detailed requirements for the income and deduction categories above. Do not include veterans' disability payments, workers' compensation, child support received, or TANF benefits 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.

<b>+</b>	<p>Add back certain income</p>	<ul style="list-style-type: none"> <li>• Non-taxable Social Security benefits<sup>4</sup> (Line 20a minus 20b on Form 1040)</li> <li>• Tax-exempt interest (Line 8b on Form 1040)</li> <li>• Foreign earned income &amp; housing expenses for Americans living abroad (calculated on Form 2555)</li> </ul>
<b>-</b>	<p>For Medicaid eligibility Exclude from income</p>	<ul style="list-style-type: none"> <li>• Scholarships, awards, or fellowship grants used for education purposes and not for living expenses</li> <li>• Certain American Indian and Alaska Native income derived from distributions, payments, ownership interests, real property usage rights, and student financial assistance</li> <li>• An amount received as a lump sum is counted as income only in the month received</li> </ul>

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

<sup>2</sup>Internal Revenue Code Section 36B(d)(2)(B)

<sup>3</sup>Public Health and Welfare Code Section 435.603(e)

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

<sup>5</sup>Deductible part of self-employment tax; SEP, SIMPLE, and qualified plans; health insurance deduction

This summary was created by the UC Berkeley Center for Labor Research and Education in November 2013.

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