



Modified Adjusted Gross Income (MAGI) under the ACA

Under the Affordable Care Act (ACA), eligibility for income-based Medicaid/Child Health Insurance Program (CHIP)¹ 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 code² and federal Medicaid regulations³ is shown below. For most individuals who apply for health coverage under the ACA, MAGI is equal to adjusted gross income with certain adjustments (see Page 2). This document summarizes relevant federal regulations; it is not personalized tax or legal advice. Consult a legal or tax advisor for help to determine your MAGI.

Modified adjusted gross income (MAGI) =

**Adjusted
gross
income (AGI)**
Line 8b on
Form 1040

Include:

- Wages, salaries, tips, etc.
- Taxable interest
- Taxable amount of pension, annuity or individual retirement account (IRA) distributions and Social Security benefits⁴
- Business income, farm income, capital gains
- Investment income
- Unemployment compensation
- Alimony for divorces finalized before Jan. 1, 2019
- Ordinary dividends
- Rental real estate, royalties, partnerships, S corporations, trusts, etc.
- Taxable refunds, credits, or offsets of state and local income taxes

Deduct:

- Certain self-employed expenses⁴
- Student loan interest deduction
- IRA deduction if no job-based retirement account
- Penalty on early withdrawal of savings
- Health savings account/health reimbursement deduction
- Certain business expenses of reservists, performing artists, and fee-basis government officials
- Alimony paid if divorce was finalized before Jan. 1, 2019
- Educator expenses if you’re a teacher

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 included in AGI, but are not listed above because they are already subtracted out of W-2 wages and salaries.

¹ 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.

² Internal revenue code section 36B(d)(2)(B)

³ Public health and welfare code section 435.603(e)

⁴ Deductible part of self-employment tax; SEP, SIMPLE, and qualified plans; health insurance deduction

+	Add back certain income	<ul style="list-style-type: none"> • Nontaxable Social Security benefits⁵ (Line 5a minus 5b on Form 1040) • Tax-exempt interest (Line 2a on Form 1040) • Foreign earned income and housing expenses for Americans living abroad (calculated on IRS Form 2555)
-	For Medicaid eligibility, exclude from income	<ul style="list-style-type: none"> • Scholarships, awards, or fellowship grants used for education purposes and not for living expenses • Certain American Indian and Alaska Native income derived from distributions, payments, ownership interests, real property usage rights, and student financial assistance⁶ • An amount received as a lump sum is counted as income only in the month received

⁵ "Social Security benefits" includes disability payments (SSDI), but does not include Supplemental Security Income (SSI), which should be excluded.

⁶ (i) Distributions from Alaska Native Corporations and Settlement Trusts;
(ii) Distributions from any property held in trust, subject to Federal restrictions, located within the most recent boundaries of a prior Federal reservation, or otherwise under the supervision of the Secretary of the Interior;
(iii) Distributions and payments from rents, leases, rights of way, royalties, usage rights, or natural resource extraction and harvest from:
(A) Rights of ownership or possession in any lands described in paragraph (e)(3)(ii) of this section; or
(B) Federally protected rights regarding off-reservation hunting, fishing, gathering, or usage of natural resources;
(iv) Distributions resulting from real property ownership interests related to natural resources and improvements:
(A) Located on or near a reservation or within the most recent boundaries of a prior Federal reservation; or
(B) Resulting from the exercise of federally protected rights relating to such real property ownership interests;
(v) Payments resulting from ownership interests in or usage rights to items that have unique religious, spiritual, traditional, or cultural significance or rights that support subsistence or a traditional lifestyle according to applicable Tribal Law or custom;
(vi) Student financial assistance provided under the Bureau of Indian Affairs education programs.