

Issue 79: INSIDER’S EDGE: Unmarried Parents—MAGI Household Construction Rules Continued!

Happy Friday, Insiders! Questions continue to come in from readers following *Issue 77: INSIDER’S EDGE: Even MORE MAGI Household Construction Scenarios*. We’ll take a look at one from Saint Mary’s County today.

The key thing to remember when it comes to constructing households is that **you must construct each applicant’s household separately**. Just because a group of individuals lives together does not mean that all of them will be in the same household. Sadly, there are no shortcuts in the world of MAGI (modified adjusted gross income)!

A Quick Refresher: Relationship-Based Rules (Readers in a Rush? Scroll Down for the Question!)

For purposes of determining eligibility for insurance affordability programs, including Medicaid, in most cases the household includes the people who file federal income taxes together for the taxable year in which the eligibility determination is made.

Tax filer household rules:

- Tax filer is head of household and usually the primary applicant;
- Tax filer’s spouse (must file jointly for APTC/CSR);
- Anyone else the tax filer will claim as a tax dependent (i.e. claim a personal exemption deduction for) on that year’s tax return.
 - For example, the taxpayer’s older children will count toward the family size if the taxpayer claims them as a dependent *even if* they don’t live at home.

Under the tax dependent household rules, the following individuals must be included in the household:

- Tax dependent;
- Tax filer who is claiming the individual as a tax dependent (this could be two people if filing jointly);
- Tax filer’s spouse, if living with the tax filer;
- Any other tax dependents the taxpayer(s) claim;
- The tax dependent’s spouse if they live together.

There are a number of situations in which the household rules used to determine Medicaid eligibility are different from the general tax-based household rules. When these exceptions arise, the Medicaid household for the applicant is constructed based on the relationships between family members who live together and is not based on tax filing relationships.

So what exceptions trigger use of the relationship-based rules for Medicaid eligibility determinations?

Application of Relationship-Based Rules
1) Applicant is not planning to file taxes.
2) Individual is claimed as a dependent by person who is not a parent or stepparent, for example, a grandparent or other caretaker relative.

3) Child, under age 21, lives with both parents, but only one parent will claim the child as a tax dependent.

4) Child, under age 21, lives with a custodial parent but will be claimed as a tax dependent by a noncustodial parent.

If one of the exceptions above is triggered, how is the household constructed using the relationship-based rules?

For adults, a household must consist of:

- Adult applying for coverage;
- Adult's married spouse, if living with the applicant; and
- Adult's natural, adopted and stepchildren, or any child for whom they act as a caretaker, up to age 21, if living with the adult.

For children (under age 21), a household must consist of:

- A child applying for coverage.
- Any of the child's parents or stepparents (or adoptive parents), if living with the child.
- Any of the child's siblings or stepsiblings (or adoptive siblings) under age 21 and living with the child.
- If the child is married, the spouse (if the spouse is living with the child); and if the child has their own children, the children and step-children (if living with the married child).

This Week's Question



Dear Marge,

We have a case where the mother lives with her child and the child's father, they are not married. The mother is the only one that is applying for Medical Assistance. The child is on her father's insurance. Would the mother be listed on the case by herself since the child is claimed on her father's taxes?

Or, since the mother is considered the caretaker for the child who is under the age of 21, should we base the application on the relationships between the family members who live together and not base it on the tax filing relationship? This would mean that all three family members would be included in the same household on the Medical Assistance application.

--Caseworker with a Conundrum in Saint Mary's County

Great questions! One key fact that wasn't included in your scenario is whether the mother files taxes!

Remember, the default rule is to construct each applicant's household based on their tax filing status. While it is tempting to put the mother, father, and child together as a household since this is their living arrangement, you need to apply rules listed above step-by-step **for each person applying for benefits.**

Let's take a look at how the mother's household will be constructed under two scenarios—if she files taxes and if she does not—you might be surprised at the outcome!

1. Constructing the mother's household if she files taxes.

Remember, under the tax filer household rules, the mother's household will include the following individuals:

- Tax filer is head of household and usually the primary applicant;
- Tax filer's spouse (must file jointly for APTC/CSR);
- Anyone else the tax filer will claim as a tax dependent (i.e. claim a personal exemption deduction for) on that year's tax return.
 - For example, the taxpayer's older children will count toward the family size if the taxpayer claims them as a dependent *even if* they don't live at home.

In this case, the mother is unmarried and does not claim any tax dependents. For purposes of determining whether the mother is Medicaid-eligible, it does not matter that she acts as a caregiver for her daughter since she does not claim the daughter as a tax dependent. **The mother's household size will be 1.**

2. Constructing the mother's household if she does not file taxes.

Under this scenario, the mother's situation triggers exception **(1) Applicant is not planning to file taxes;** therefore, the adult relationship-based rules will apply. Under these rules, a household must consist of:

- Adult applying for coverage;
- Adult's married spouse, if living with the applicant; and
- Adult's natural, adopted and stepchildren, or any child for whom they act as a caretaker, up to age 21, if living with the adult.

Thus, for purposes of determining whether the mother is Medicaid-eligible, the mother's household will include herself and her daughter. **The mother's household size will be 2.**

*** What would happen if the father and daughter want to apply for benefits too?***

Stick with me for another 30 seconds, Insiders! Let's take a look at what the households would look like for the father and daughter if they decide to apply for benefits. Remember, you need to construct the household for each applicant **separately** even though the father, mother, and daughter all live together.

- In father's case, the tax filer household rules apply. His household includes himself (tax filer) and his dependent (his daughter). **The father's household size will be 2.**
- The daughter's situation triggers exception **(3) Child, under age 21, lives with both parents, but only one parent will claim the child as a tax dependent.** In the daughter's household, we count the daughter **and** both of her parents. **The daughter's household size will be 3.**

That's it for today! Craving clarity? Send your questions my way, dhmh.medicaidmarge@maryland.gov.