

CalACES Project

CalACES Information Transmittal (CIT)

Distribution Date:	March 20, 2019	<input checked="" type="checkbox"/> CalACES North C-IV <input checked="" type="checkbox"/> CalACES South LRS	CIT # 0018 - 19
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Subject:	Tax Cuts and Jobs Act Income and Deduction Changes
From:	C-IV Project
To:	PPOC.All, RPM.All, Committee.Medi-Cal_CMSP.All
PPOC to Forward:	<p>Please forward to appropriate impacted staff, contacts or leads in your county:</p> <input type="checkbox"/> General <input type="checkbox"/> Policy <input type="checkbox"/> CW <input type="checkbox"/> FC/KG/AAP <input type="checkbox"/> Child Care <input type="checkbox"/> CF <input type="checkbox"/> WtW <input type="checkbox"/> Other Program(s) _____ <input checked="" type="checkbox"/> MC <input type="checkbox"/> CMSP <input type="checkbox"/> C4Yourself <input type="checkbox"/> Your Benefits Now! <input type="checkbox"/> Customer Correspondence <input type="checkbox"/> Reports (<input type="checkbox"/> Fiscal, <input type="checkbox"/> Caseload Movement, <input type="checkbox"/> Management) <input type="checkbox"/> Fiscal <input type="checkbox"/> Security <input type="checkbox"/> Batch and Interfaces <input type="checkbox"/> Imaging <input type="checkbox"/> Migration <input type="checkbox"/> Technical <input checked="" type="checkbox"/> Training <input checked="" type="checkbox"/> Help Desk <input type="checkbox"/> Other _____

Description: (Including any step-by-step instructions)	<p>Purpose This CIT provides guidance regarding changes to income and deduction types for Modified Adjusted Gross Income (MAGI) Medi-Cal based on the Tax Cuts and Jobs Act (TCJA) from System Change Request Numbers (SCRs) CA 206157 and C-IV 103003, which will be deployed on March 25, 2019. These changes pertain to all 40 CalACES counties. In the future, DHCS will publish an All County Welfare Directors Letter (ACWDL), Tax Cuts and Jobs Act Income and Deductions Changes to include further information.</p> <p>Background In 2018, the United States Congress passed the TCJA which adjusted some elements of the tax code and changed tax-filing thresholds. Because of this Act, certain income and deductions used to determine MAGI Medi-Cal eligibility have been modified or eliminated. The changes contained in this (CIT) pertain ONLY to the MAGI Medi-Cal program.</p> <p>Additional Information The following MAGI Medi-Cal income and deductions were impacted by the TCJA:</p> <ul style="list-style-type: none"> • Alimony income and deduction • Tuition and fees deduction • Domestic productions activities deduction • Moving expenses deduction <p>Alimony Income and Deductions: Effective 1/1/2019, alimony income and deduction expenses may only be used as income or a deduction in MAGI eligibility determinations if</p>
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the date of an agreement/modification/court order or date of execution of the agreement is on or before 12/31/2018. If the date is on or before 12/31/2018, those who pay alimony may use that amount as a deduction and those who receive that alimony may consider it as income. If made or modified on or after 1/1/2019, alimony may not be used as an income or a deduction in MAGI eligibility determinations.

Applicants and beneficiaries are required to self-attest to the date of the agreement/modification/court order or date of execution. Counties shall not require verification regarding this information and shall accept either written or verbal attestation. This information will assist counties to determine whether alimony should be a countable income, deduction, or neither.

Effective 12/31/2018, the systems stopped sending Alimony paid as a deduction and the income of Alimony to CalHEERS.

Tuition and Fees Deduction: The TCJA did not reauthorize this deduction. Effective 1/1/2019, the Tuition and Fees deduction can no longer be used for MAGI Medi-Cal eligibility determinations. The Systems has stopped sending the Tuition and Fees Deduction to CalHEERS.

Domestic Production Activities: The TCJA eliminated the allowance of domestic production activities as a tax deduction. This deduction can no longer be used for MAGI Medi-Cal eligibility determinations. Effective 1/1/2019, the Systems have stopped sending the Domestic Production Activities deduction to CalHEERS.

Note: This deduction provided tax incentives for businesses that produced most of their goods or work in the United States, rather than sending that work to other countries.

Moving Expenses Deduction: The TCJA changed the moving expenses deduction which is now only allowed for active duty military personnel, who are moving due to a change of duty station. No other applicants/beneficiaries are eligible to claim this deduction.

Effective 1/1/2019, the moving expenses shall only be allowed as an income deduction for MAGI Medi-Cal if the applicant/beneficiary self-attests to claim this deduction as an active duty military personnel whose move is a result of a change of duty station.

Changes to Tax Filing Requirement Threshold for Dependents: The TCJA changed the tax filing requirements threshold for dependents. Counties shall continue to accept self-attestation regarding a dependents requirement to file taxes. Changes to the tax filing requirements do NOT change how counties count the income of the tax dependent.

County Action

1. The Worker is responsible for collecting alimony income information and adding a journal entry to document the information. Worker should enter the Applicant/beneficiaries' self-attested date of the separation/agreement/modification/court order, or date of execution of the agreement for spousal support as the begin date on the Income Amount Detail page. Workers should check the dates of the alimony income records at

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Redetermination or when the Customer reports a change, and if applicable, end date the record.

2. The worker is responsible for collecting alimony expense information and adding a journal entry to document the information. Worker should enter the Applicant/beneficiaries' self-attested date of the separation/agreement/modification/court order, or date of the execution of the agreement for spousal support as the begin date on the Expense Amount Detail page. Workers should check the dates of the alimony expense records at Redetermination or when the Customer reports a change, and if applicable, end date the record.

For Alimony Income and Deductions, dated prior to 1/1/2019, Workers are to complete a **Journal Entry** that states:

The Alimony deduction/income is allowed as the date of the agreement/court order, or execution date is prior to 1/1/2019, and as such, the deduction and income is allowed.

For Alimony Income and Deduction, dated 1/1/2019 and later, Workers are to complete a **Journal Entry** that states:

The Alimony deduction/income is stopped in accordance with the 2018 Tax Cuts and Jobs Act.


3. The worker is responsible for collecting tuition and fee deduction information and adding a journal entry to document the information. At Redetermination and when the Customer reports a change, Workers should check the end date of this deduction and end date the expense record.
4. The worker is responsible for collecting domestic production activity information and adding a journal entry to document the information. At Redetermination and when the Customer reports a change, workers should check the end date of this deduction and end date the expense record appropriately.
5. The Worker is responsible for collecting the moving expense self-attestation and adding a journal entry to document the information. At Redetermination and when the Customer reports a change, Workers should check the date of this deduction and end date the expense record, for those who are not active duty military with a change in duty station.
6. If Applicants/beneficiaries of MAGI MC have a question about the new tax filing requirement threshold for dependents, Workers should advise them to contact the Internal Revenue Service (IRS) or tax specialists. Counties shall provide individuals with the following IRS website and interactive tool to learn more about tax depending filing requirements:

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	<p>If you have any questions about the content of this CIT, please contact the Primary Project Contact.</p>
Primary Project Contact:	<p><i>Contact this person for questions about the contents of this CIT.</i></p> <p>Maureen Votta (916) 851-3258 VottaM@CalACES.org</p>
Backup Project Contact:	<p>Elisa Miller (916) 851-3207 MillerE@CalACES.org</p>
Web Portal Link:	<p></p> <p>OR</p> <p>You may also retrieve the CIT document and attachments by following these steps:</p> <ol style="list-style-type: none">1. Click on the 3rd tab at the top of the page titled "CRFIs & CITs"2. Click on the "CalACES Information Transmittals (CIT)" folder3. Click on the "2019" folder4. Click on the appropriate CIT # folder