Medi-Cal – Tax Household

Purpose

Effective 01/01/2014, the Affordable Care Act (ACA) mandates certain Medi-Cal programs be tested through a new income methodology: Modified Adjusted Gross Income (MAGI). The ACA changed household composition rules for all Medi-Cal programs subject to the use of MAGI methodology. The tax household is based on tax filing status and household composition. (See DHCS Guide at the end of this job aid.)

Tax Household Terms

The following is a list of tax household terms as they apply to the Tax Household Detail page in the System. (These terms are for informational purposes only and should not be considered county policy.) Applicants/Beneficiaries should be asked how they plan to file taxes for the current year and use that information to complete the Tax Household data collection pages.

Term	Description
Primary Tax Filer	The primary tax filer is the primary tax filer for the Tax Household record you are creating.
Current Tax Year	The current tax year indicates the current tax year we are in. For example, if the date is 06/2014, the current tax year would be 2014. Taxes for 2013 would have already been filed.
Expected Filing Status	Filing status is determined on the last day of the tax year (12/31). The five filing status categories in the System are: • Dependent • Single • Married Filing Jointly* • Married Filing Separately* • Head of Household
Dependent (Tax Filer Status)	A person who is a dependent may still have to file a return. This depends on his or her earned income, unearned income, and gross income.
Head of Household	Head of Household generally applies to taxpayers who are unmarried.

Married Filing Jointly*	A married couple may file a joint return together. The couple's filing status would be Married Filing Jointly. NOTE: If a customer's spouse died during the year and the customer did not remarry during the year, the customer may still file a joint return with that spouse for the year of death.
Married Filing Separately*	A married couple may elect to file their returns separately. Each person's filing status would generally be Married Filing Separately.
Single	Single filing status generally applies to anyone who is unmarried, divorced or legally separated according to state law.
Dependent (Dependent Type)	A dependent is a qualifying child or a qualifying relative. Unlike a qualifying child, a qualifying relative can be any age. A qualifying relative is a person who lived all year with the primary tax filer as a member of the household.
Non-Custodial Parent	A Non-Custodial Parent is the parent who does not have sole physical custody of the child and is not the parent with whom the child resides for most of the time. Although courts often give two parents who are both fit parents, joint custody of the child, the court may refer to the parent with the larger timeshare with the child as a custodial parent.

*DHCS clarified that counties may accept attestation of marriage for same sex marriages and enter them as such in the System. Additionally, if same sex couples are filing separately, they are treated separately. If filing jointly, they are treated as other married couples who file jointly.

System Cases and Tax Households

The tax household status is sent to the Covered California/CalHEERS business rules engine (BRE), which in turn is sent to the Federal Hub. The person's tax household must be entered on the Tax Household Detail page, so the Federal Hub can confirm the information. If the Federal Hub cannot confirm the information sent, the customer may have to provide additional verification. A Tax Household record is required for each household member to run a MAGI eligibility determination.

Household composition under Advanced Premium Tax Credit (APTC) is different than those under MAGI. While the countable and excluded income is based on the same factors, they differ for each household based on the members counted in the APTC unit vs. the MAGI unit. An example which would require two cases in the System is if both parents are primary tax filers and each claimed one child.

Adding a Tax Household Record

The following steps assume you are in the context of a case.

Step	Action
1.	Place the cursor over **Eligibility** in the **Global** navigation bar.
2.	Select **Customer Information** in the **Local** navigation bar.
3.	Expand the **Financial** section in the Task navigation bar.
4.	Click **Tax Household** in the **Task** navigation bar.
5.	On the **Tax Household List** page: a) Select the **<Filing Year>** from the **Filing Year** drop list. b) Select the **<Person Name>** from the **Name** drop list. c) Click the **Add** button.
6.	On the **Tax Household Detail** page: a) Select **<Yes or No>** from the **Primary Tax Filer** drop list. b) Select **<Yes or No>** from the **Is this person expected to be required to file taxes for the current year?** drop list. c) Select **<Yes or No>** from the **Is this person planning to file taxes the current year?** drop list. d) If item C is answered "Yes", select the **<Filing Status>** from the **Expected Filing Status** drop list. If item C is answered "No", leave the Expected Filing Status blank. e) Select an **<Option>** from the **Caretaker Relative** drop list if applicable. f) Select **<Yes or No>** from the **Is this person expected to be claimed as a Dependent by a non-custodial parent?** drop list If applicable. g) Select the **<Person Name>** from the **Who claims this person as a Dependent this year?** drop list if applicable. h) Click **Save and Return**.
7.	Repeat steps 5 and 6 for all household members.

The tax household information is also used by the CalHEERS system to screen eligibility to the APTC program and other Insurance Affordability Programs (IAP) through Covered California. The response to the System question, "Is this person planning to file taxes for the current year?" must be transmitted to CalHEERS for an individual/household to get a proper evaluation for other IAPs.

The question "Is this person planning to file taxes for the current year?" is a mandatory field on the Tax Household Detail page. When this question is answered "Yes", the field "Expected Filing Status" is also conditionally required.

There are no CalSAWS page validations or batch skips to prevent an Eligibility Determination Request (EDR) from being sent to CalHEERS without the questions being answered. The user will see a business validation (BV) when one or both

necessary fields do not contain an answer. The chart below describes the two BVs that are sent, and how to fix the case, so it is accepted at CalHEERS.

In a Batch MAGI run, CalHEERS will return logging transactions in the form of a BV when the EDR does not contain the appropriate tax household information. The case will then be on the 'e-HIT Exception Report Error Message Received from CalHEERS'.

BV Number & Title	Message	How to Fix Error
24 – Tax Filing Status	CurrentYearExpectedFilingStatusCode was not provided for SAWS Case Person: XX who indicated they are planning to file taxes this year	EDR has PlanToFileThisYearInd set to 'Y' but no CurrentYearExpectedFilingStatusCode for a person. If a person indicates they are planning to file taxes for the year, they must provide the filing status whether the individual is a dependent
65 – Plan to File Tax This Year Ind.	EDR is missing PlanToFileThisYearInd. PlanToFileThisYearInd must be provided TaxFilingInfo is populated. PlanToFileThisYearInd is used for eligibility determination.	EDR is missing PlanToFileThisYearInd. PlanToFileThisYearInd must be provided TaxFilingInfo is populated. PlanToFileThisYearInd is used for eligibility determination. On the Tax Household Detail page, the question " Is this person planning to file taxes for the current year?" must be completed.

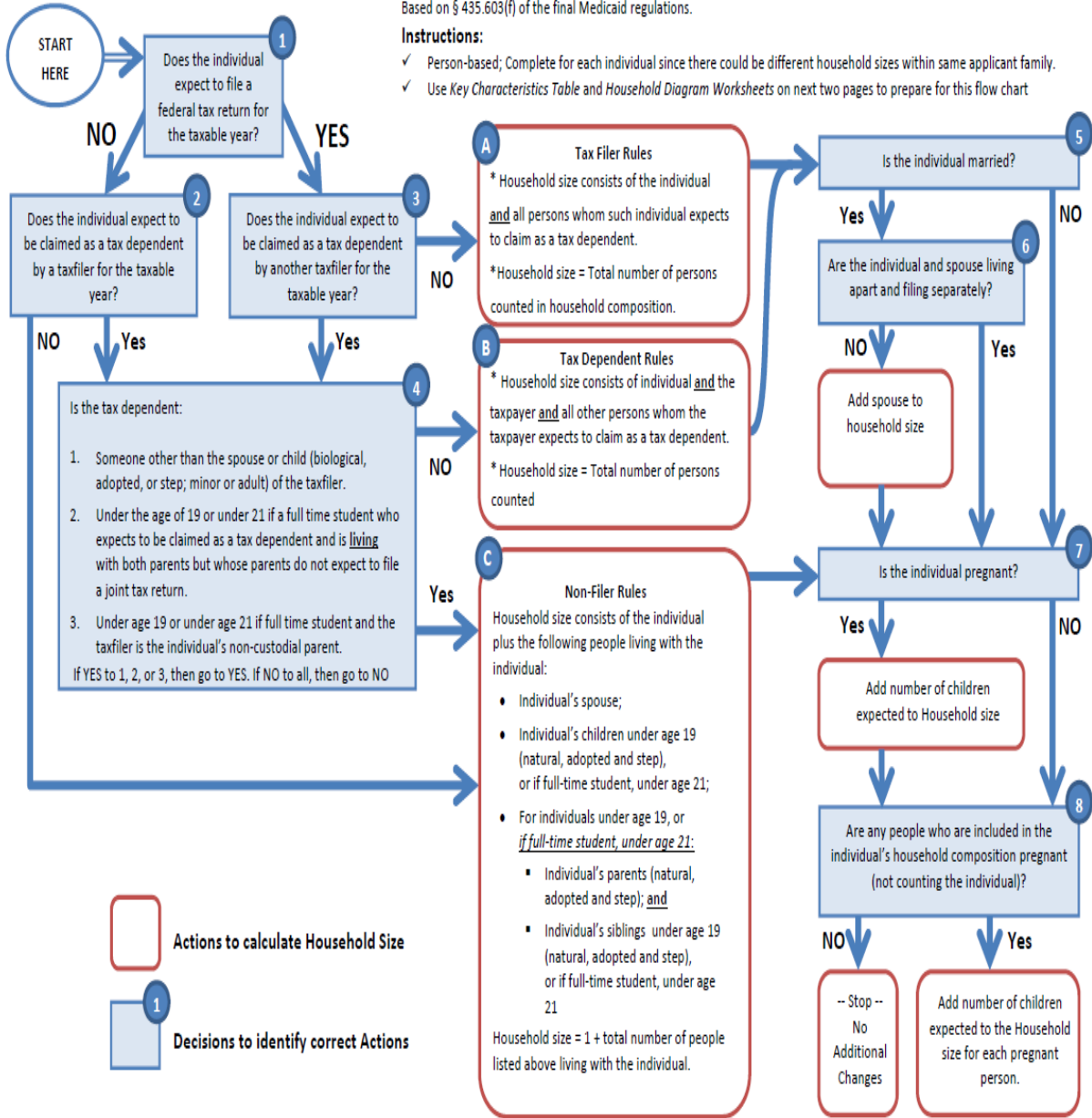## DHCS Guide for Calculating MAGI Medi-Cal Household Size

DHCS Guide for Calculating MAGI Medi-Cal Individual Household Size

Household Size Flow Chart

Based on § 435.603(f) of the final Medicaid regulations.

Instructions:

✓ Person-based; Complete for each individual since there could be different household sizes within same applicant family.

✓ Use *Key Characteristics Table* and *Household Diagram Worksheets* on next two pages to prepare for this flow chart

START HERE

1 Does the individual expect to file a federal tax return for the taxable year?

NO / YES

2 Does the individual expect to be claimed as a tax dependent by a taxfiler for the taxable year?

3 Does the individual expect to be claimed as a tax dependent by another taxfiler for the taxable year?

NO — Yes — Yes

4 Is the tax dependent:

1. Someone other than the spouse or child (biological, adopted, or step; minor or adult) of the taxfiler.
2. Under the age of 19 or under 21 if a full time student who expects to be claimed as a tax dependent and is living with both parents but whose parents do not expect to file a joint tax return.
3. Under age 19 or under age 21 if full time student and the taxfiler is the individual's non-custodial parent.

If YES to 1, 2, or 3, then go to YES. If NO to all, then go to NO

NO — Yes

A **Tax Filer Rules**

* Household size consists of the individual and all persons whom such individual expects to claim as a tax dependent.

*Household size = Total number of persons counted in household composition.

NO

B **Tax Dependent Rules**

* Household size consists of individual and the taxpayer and all other persons whom the taxpayer expects to claim as a tax dependent.

* Household size = Total number of persons counted

NO

C **Non-Filer Rules**

Household size consists of the individual plus the following people living with the individual:

- Individual's spouse;
- Individual's children under age 19 (natural, adopted and step), or if full-time student, under age 21;
- For individuals under age 19, or *if full-time student, under age 21*:
  - Individual's parents (natural, adopted and step); and
  - Individual's siblings under age 19 (natural, adopted and step), or if full-time student, under age 21

Household size = 1 + total number of people listed above living with the individual.

5 Is the individual married?

Yes / NO

6 Are the individual and spouse living apart and filing separately?

NO / Yes

Add spouse to household size

7 Is the individual pregnant?

Yes / NO

Add number of children expected to Household size

8 Are any people who are included in the individual's household composition pregnant (not counting the individual)?

NO / Yes

-- Stop --
No Additional Changes

Add number of children expected to the Household size for each pregnant person.

☐ **Actions to calculate Household Size**

☐ **1** **Decisions to identify correct Actions**

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* If a State verifies household composition and a taxfiler cannot reasonably establish that another individual is a tax dependent of the taxfiler for the tax year in which Medicaid is sought, the inclusion of such individual in the household of the taxfiler is determined by the non-filer rules listed above

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DHCS Guide for Calculating MAGI Medi-Cal Individual Household Size

Key Characteristics Table

Instructions:
- ✓ Using Information for each household/family member, capture key characteristics in the table below.
- ✓ Use this table of characteristics to walk through the flow on the page above to construct the Household Member Set and Family Size in the last column of the table

#	Household Member	Tax Filer?	Tax Dpdnt of #	Excep 1? **	Excep 2? **	Excep 3? **	Married to #	Living with #'s	Filing with #	Pregnant?	Resultant HH Members (#'s)	HH Size
1		Y / N		Y / N	Y / N	Y / N				Y / N		
2		Y / N		Y / N	Y / N	Y / N				Y / N		
3		Y / N		Y / N	Y / N	Y / N				Y / N		
4		Y / N		Y / N	Y / N	Y / N				Y / N		
5		Y / N		Y / N	Y / N	Y / N				Y / N		
6		Y / N		Y / N	Y / N	Y / N				Y / N		
7		Y / N		Y / N	Y / N	Y / N				Y / N		
8		Y / N		Y / N	Y / N	Y / N				Y / N		
9		Y / N		Y / N	Y / N	Y / N				Y / N		
10		Y / N		Y / N	Y / N	Y / N				Y / N		

** Exceptions Defined:
1. Someone other than the spouse or child (biological, adopted, or step; minor or adult) of the taxpayer.
2. Under the age of 19 or under 21 if a full time student who expects to be claimed as a tax dependent and is living with both parents but whose parents do not expect to file a joint tax return.
3. Under age 19 or under age 21 if full time student and the taxpayer is the individual's non-custodial parent.

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Household Diagram Worksheets

Instructions:
- ✓ Using Information for each household member to first capture the Household Diagram for all individuals on an application.
- ✓ Use the other drawing boxes to illustrate, for each individual, the household diagram for each individual. Use a copy this page for more than 8 household members.

Application Household Diagram	_____ Tax filer Household Diagram	_____ Individual Household Diagram
_____ Individual Household Diagram	_____ Individual Household Diagram	_____ Individual Household Diagram
_____ Individual Household Diagram	_____ Individual Household Diagram	_____ Individual Household Diagram