

Revised-6/14/18

Policy Clarification
Medicaid – All
PMA-18469-312

Submitted: 6/11/18

Agency: CAOs

Subject: S-Corporation Income for Medical Assistance (MA)

Question: In a case where the client owns their own business and pays themselves a wage, how is this income counted? Do we take the gross profit minus any allowable deductions and enter the remainder as self-employment income?

Response By: Division of Family Assistance

Date: 6/11/18

If the individual indicates an S-Corporation on Schedule E on federal taxes, the income is considered to be S-Corporation (not self-employment). Self-employment deductions are not applicable to S-Corporations.

The most recent federal income tax return should be used to calculate income if it is consistent with the individual's anticipated income.

The CAO should count the S-Corporation income the following way:

1. Wages paid to the individual from the S-Corporation should be entered as earned income.
2. Net profit found on line 32 of the Schedule E:
 - Should be divided by 12 and entered as unearned income for Modified Adjusted Gross Income (MAGI) MA.
 - Should be excluded for non-MAGI MA, unless distributed to the individual, in which case the distributions should be entered as unearned income.

NOTE: Rental income should also be counted.