**Policy Clarifications**

**Medicaid- All**

**PMA-19301-312**

**Submitted: 03/01/2019 Agency: CAOs**

**Subject:** Changes to the Treatment of Income and Deductions for Modified Adjusted Gross Income (MAGI) Medical Assistance (MA)

**Question**: How will recent tax law changes affect MAGI MA?

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| **Response By: Division of Health Services Date:** |  |

Recent tax law changes eliminated some tax deductions for MAGI and changed the treatment of alimony income. The tax deductions affected include alimony paid, job-related moving expenses, domestic production activities, and tuition and fees deductions.

**Alimony Income and Deduction**

Alimony will no longer be counted as income or a tax deduction for MAGI MA if it was finalized or modified on or after January 1, 2019. If the individual reports receiving alimony or claiming alimony as a tax deduction, the CAO will need to verify when the alimony agreement was finalized. This includes legal alimony agreements in writing that are finalized in a separation or divorce settlement. The CAO may use the divorce decree, separate maintenance decree, or separation agreement to verify the date of an alimony agreement.

If the alimony was finalized or modified on or after January 1, 2019:

* Exclude as income for MAGI MA.
* Complete manual override when determining eligibility for MAGI MA each time eligibility is run on the case and narrate the action.
* Do not allow or enter alimony as a tax deduction in the system.

**NOTE:**  Individuals with alimony that is not countable for MAGI MA are NOT eligible for Transitional Medical Assistance (TMA) in the MG 23 category. If MG 23 builds when excluded alimony is added to an MA case, an override must be completed to fail MG 23 and the CAO must explore for other categories of eligibility.

If the alimony was finalized or modified prior to January 1, 2019:

* Count as income for MAGI MA.
* Allow and enter alimony as a tax deduction in the system if verified with the most recent tax return.

**Job-Related Moving Expense Deduction**

Moving expense deductions will be limited to members of the armed forces (and their spouse or dependents), who are required to relocate as part of their service in the military. The deduction will only appear on an individual’s tax return filed for tax years 2018-2025 if the individual meets the criteria above.

* Enter this deduction in the system if verified with the current/most recent tax return, or a copy of receipts for moving expenses and verification that relocation was required for military service.
* Military status does not need to be verified.

**Domestic Production Activities Deduction**

* No longer allowed as a tax deduction.
* Will not appear on the individual’s tax return filed for tax years 2018-2025.

**Tuition and Fees Deduction**

* No longer allowed as a tax deduction.
* Will not appear on the individual’s tax return filed for tax year 2018 or later.

This information will be updated in Chapter 312 of the Medical Assistance Handbook, which will obsolete this Policy Clarification.