**Policy Clarifications   
Medicaid – All  
PMA-18348-312**

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| **Submitted: 02/2017** | **Agency: CAOs** |
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| **Subject: Tax-deferred Retirement Contribution Gross Income Exemption**  **Question: Should we deduct tax-deferred retirement account contributions from Modified Adjusted Gross Income (MAGI)?** |

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| **Response By: Division of Health Services** | **Date: 02/14/17** |

Caseworkers must manually exclude any tax-deferred contributions to retirement accounts that are verified on an individual’s current income statements.

Example: A client provides a current pay stub showing gross earnings of $400 per week, and a tax-deferred 401K contribution of $24 per week. The individual’s income should be entered as $376 per week for the MAGI-related MA determination.

Retirement account contributions, such as 401K contributions, will not be shown in the federal wages reported on a client’s W-2 or IRS form 1040. When you are verifying income with a tax return there will be no need to exclude any tax-deferred retirement account contributions which are deducted directly from an employee’s wages.

Medical Assistance Eligibility Handbook Chapter 312 will be updated.