

**TO:** Local District Commissioners, Medicaid Directors

**FROM:** Judith Arnold, Director  
Division of Eligibility and Marketplace Integration

**SUBJECT:** Treatment of Income of Dependents Under MAGI-like Rules

**EFFECTIVE DATE:** Immediately

**CONTACT PERSON:** Local District Support Unit  
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The purpose of this General Information System (GIS) message is to provide clarification to local departments of social services regarding the treatment of a dependent's income under Modified Adjusted Gross Income (MAGI) rules.

The MAGI methodology uses federal tax rules to compute countable income. Under MAGI rules, the income of a child or tax dependent who is not required to file a tax return is not included in the household income, whether or not the child/tax dependent files a tax return. The income threshold to determine whether a child/tax dependent is required to file a tax return changes each year and can be found on the Internal Revenue Service (IRS) website.

The income threshold for dependents for tax year 2014 is \$6,200 for earned income and \$1,000 for unearned income. If a dependent has earned income only and it exceeds \$6,200, the dependent must file a return. If a dependent has unearned income only and it exceeds \$1,000, the dependent must file a return. If a dependent has both earned and unearned income and one income type exceeds the IRS threshold, the dependent must file a return. In addition, if a dependent has both earned and unearned income and each is less than the applicable threshold, the dependent, nevertheless, must file a return if the combined (gross) income exceeds the larger of \$1000 or the amount of the dependent's earned income (up to \$5850) plus \$350.

Please note that Title II income, which includes Social Security dependent income (for example, a child receiving a Social Security benefit due to a disabled or deceased parent), is not considered in determining whether the child's unearned income exceeds the \$1,000 threshold. Thus, when calculating a "MAGI-like" budget that includes a child under age 21 who is living with his or her parent(s) or caretaker relative, if the child only has Title II income, the child is not required to file a return, and the child's Social Security benefit should not be included in the budget.

A child's Social Security benefit should be included in the budget only when:

- the child's earned income exceeds the applicable IRS threshold OR
- the child's unearned income (other than Title II income) exceeds the applicable IRS threshold OR
- the child's combined earned and unearned income exceeds the larger of \$1,000 or the amount of the child's earned income (up to \$5850) plus \$350.

When a dependent child under age 21 who is living with his/her parent/caretaker relative has other income, either earned or unearned, and does not have Title II income, the same threshold rules apply. These rules do not apply to a 19 or 20 year old who is living alone.

For further instructions on how to calculate a dependent's countable earned and unearned income see IRS publication 929,  
[http://www.irs.gov/publications/p929/ar02.html#en\\_US\\_2014\\_publink1000203747](http://www.irs.gov/publications/p929/ar02.html#en_US_2014_publink1000203747).

Please direct any questions to your local district liaison.