

COVERED CALIFORNIA INCOME SOURCES

CALCULATING MODIFIED ADJUSTED GROSS INCOME

A tax household’s modified adjusted gross income (MAGI) is used to determine eligibility for subsidized health insurance through Covered California and for income-based Medi-Cal. For most consumers, their adjusted gross income (AGI) is the same amount as their MAGI. Consumers can find their AGI on the following federal tax return lines:

- Line 4, Form 1040EZ
- Line 21, Form 1040A
- Line 37, Form 1040

IMPORTANT TO NOTE: Taxpayers who receive non-taxable Social Security benefits, earn income living abroad or earn non-exempt interest should add that income to their AGI to calculate their MAGI. It is important to remind a consumer that if they claim a spouse or children as dependents, their income counts towards the tax household income. In order to receive financial assistance through Covered California, spouses are required to file their income tax return jointly. To perform MAGI calculations, Covered California requires consumers to provide the following:

1. An attestation to their current or projected income for the current benefit year.
2. If the consumer’s income varies from month to month, income should be based on a monthly average of expected earnings for the current benefit year (projected average annual income). To make this income estimate, consumers need to take the following factors into consideration:
 - Their income pattern over the last year
 - The actual income they received in the last month
 - The ability to provide a statement of anticipated income, which can be presented as a self-affidavit letter of income

If a consumer’s attested income is not reasonably consistent with available federal data, or if income information is not available, the consumer has 90 days to provide Covered California with documentation to resolve the inconsistency (i.e., by presenting current paystubs or the previous year’s tax return).

UNDERSTANDING INCOME SOURCES

It is important to understand all sources of income that will be counted in MAGI as certain types of income may be deducted or not included when calculating MAGI. The following table describes sources of income as they relate to MAGI:

What is included in MAGI?	What is deducted from MAGI?	What is not included in MAGI?
Wages, salaries, self-employment income, tips, and commissions	Certain allowable self-employment expenses	Foster Care payments

What is included in MAGI?	What is deducted from MAGI?	What is not included in MAGI?
Taxable interest and ordinary dividends	Student loan interest deduction	Veterans' disability payments
Taxable amount of a pension, annuity, or IRA distribution	Educator expenses	Workers' compensation payments
Social Security benefits	IRA deduction	Child support received
Business income	Moving expenses	Supplemental Security Income (SSI)
Farm income	Penalty on early withdrawal of savings	Also not included in MAGI because these items are already subtracted from W-2 wages and salaries are pre-tax contributions for: Child care Commuting Employer-sponsored health insurance Flexible spending accounts Retirement plans such as a 401(k) or 403(b)
Capital gains and other gains (or losses)	Health savings account deduction	
Unemployment compensation	Alimony paid	
Alimony received	Certain business expenses of reservists, performing artists, and fee-basis government officials	
Income from rental real estate, royalties, and partnerships		
Taxable refunds, credits, or offsets of state and local income taxes		
Other taxable income		

This Job Aid was produced from the Covered California Certification course Participant Guide: *Eligibility for Individuals and Families*.

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