

Module 2: Modified Adjusted Gross Income (MAGI)

Office of Medicaid Eligibility Policy
Medicaid Eligibility and Community Support
2022

Topics

- ▶ MAGI Introduction
- ▶ Point-In-Time Methodology
- ▶ Earned Income
- ▶ Self-Employment Income
- ▶ Unearned Income
- ▶ Foreign Income
- ▶ Non-countable Income

Topics

- ▶ Educational Income
- ▶ American Indian / Alaska Native Income
- ▶ Lump Sums
- ▶ Income of Tax Dependents or Children 18 or Younger
- ▶ Deductions
- ▶ Resources

MAGI Introduction



MAGI Methodology

- ▶ Modified adjusted gross income (MAGI) is how income is calculated to determine eligibility for MAGI-based Washington Apple Health (Medicaid) programs, and the Children's Health Insurance Program (CHIP or Apple Health for Kids with Premiums).
- ▶ Generally, the MAGI calculation is determined by calculating an individual's adjusted gross income (AGI) as determined by the Internal Revenue Code (IRC), with a few modifications.

Form **1040** Department of the Treasury—Internal Revenue Service (99) **2021** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status Single Married filing jointly Married filing separately (MFS) Head of household (HOH) Qualifying widow(er) (QW)
 Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial Last name Your social security number
 If joint return, spouse's first name and middle initial Last name Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Presidential Election Campaign
 Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.
 You Spouse

City, town, or post office. If you have a foreign address, also complete spaces below. State ZIP code
 Foreign country name Foreign province/state/county Foreign postal code

At any time during 2021, did you receive, sell, exchange, or otherwise dispose of any financial interest in any virtual currency? Yes No

Standard Deduction **Someone can claim:** You as a dependent Your spouse as a dependent
 Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness **You:** Were born before January 2, 1957 Are blind **Spouse:** Was born before January 2, 1957 Is blind

Dependents (see instructions):
 If more than four dependents, see instructions and check here ▶

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see instructions): Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

1	Wages, salaries, tips, etc. Attach Form(s) W-2	1
2a	Tax-exempt interest	2a
2b	Taxable interest	2b
3a	Qualified dividends	3a
3b	Ordinary dividends	3b
4a	IRA distributions	4a
4b	Taxable amount	4b
5a	Pensions and annuities	5a
5b	Taxable amount	5b
6a	Social security benefits	6a
6b	Taxable amount	6b
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here	7
8	Other income from Schedule 1, line 10	8
9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9
10	Adjustments to income from Schedule 1, line 26	10
11	Subtract line 10 from line 9. This is your adjusted gross income	11
12a	Standard deduction or itemized deductions (from Schedule A)	12a
12b	Charitable contributions if you take the standard deduction (see instructions)	12b
12c	Add lines 12a and 12b	12c
13	Qualified business income deduction from Form 8995 or Form 8995-A	13
14	Add lines 12c and 13	14
15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-	15

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2021)

Adjusted Gross Income

- ▶ Adjusted gross income (AGI) is the total gross taxable income minus any IRS allowable adjustment(s).
- ▶ The adjusted gross income is reported on line 11 of Form 1040.

What Turns AGI Into MAGI?

▶ MAGI is the adjusted gross income (AGI) increased by:

- ▶ **Interest** – Any amount of interest received or accrued by the taxpayer during the taxable year which is exempt from tax.
- ▶ **Social Security and Railroad Retirement** – Any amount of Title II Social Security income or Tier 1 Railroad Retirement income, which is excluded from gross income under Section 86 of the IRC.
- ▶ **Foreign Income** – Any amount excluded from gross income under Section 911 of the IRC.

What Turns AGI Into MAGI?

▶ MAGI does not include:

- ▶ **Educational Income** – Scholarships or fellowship grants used for educational purposes, as described in WAC 182-509-0335.
- ▶ **American Indian / Alaska Native Income** – Most sources of income received by American Indian/Alaskan Native individuals, as described in WAC 182-509-0340.
- ▶ **Lump Sums** – Income received as a lump sum, as described in WAC 182-509-0375, is counted as income only in the month it is received.
- ▶ **Income of Tax Dependents or Children Age 18 or Younger** – Some income received by tax dependents, or children age eighteen or younger, as described in WAC 182-509-0360, is excluded if it does not meet the tax filing threshold.

SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

OMB No. 1545-0074
2021
Annual
Sequence No. 01

▶ Attach to Form 1040, 1040-SR, or 1040-NR.
▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

Name(s) shown on Form 1040, 1040-SR, or 1040-NR _____ Your social security number _____

Part I Additional Income

1 Taxable refunds, credits, or offsets of state and local income taxes 1

2a Alimony received 2a

b Date of original divorce or separation agreement (see instructions)

3 Business income or loss

4 Other gains or losses

5 Rental real estate income or loss from Schedule E

6 Farm income or loss

7 Unemployment compensation

8 Other income:

a Net operating loss from other years

b Gambling income or loss

c Cancellation of debt income

d Foreign earned income exclusion

e Taxable Health Savings Account income

f Alaska Permanent Fund Dividend

g Jury duty pay

h Prizes and awards

i Activity not engaged in for profit

j Stock options

k Income from the rental of personal property

l Olympic and Paralympic medals and USOC prize money

m Section 951(a) income

n Section 951A(a) income

o Section 461(f) excess business expenses

p Taxable distribution from a qualified plan or IRA

z Other income. List type and amount ▶

9 Total other income

10 Combine lines 1 through 9 and enter the total on Form 1040, 1040-SR, line 8

For Paperwork Reduction Act Notice, see page 2.

Part II Adjustments to Income

11 Educator expenses 11

12 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 12

13 Health savings account deduction. Attach Form 8889 13

14 Moving expenses for members of the Armed Forces. Attach Form 3903 14

15 Deductible part of self-employment tax. Attach Schedule SE 15

16 Self-employed SEP, SIMPLE, and qualified plans 16

17 Self-employed health insurance deduction 17

18 Penalty on early withdrawal of savings 18

19a Alimony paid 19a

b Recipient's SSN ▶

c Date of original divorce or separation agreement (see instructions) ▶

20 IRA deduction 20

21 Student loan interest deduction 21

22 Reserved for future use 22

23 Archer MSA deduction 23

24 Other adjustments:

a Jury duty pay (see instructions) 24a

b Deductible expenses related to income reported on line 8k from the rental of personal property engaged in for profit 24b

c Nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8l 24c

d Reforestation amortization and expenses 24d

e Repayment of supplemental unemployment benefits under the Trade Act of 1974 24e

f Contributions to section 501(c)(18)(D) pension plans 24f

g Contributions by certain chaplains to section 403(b) plans 24g

h Attorney fees and court costs for actions involving certain unlawful discrimination claims (see instructions) 24h

i Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations 24i

j Housing deduction from Form 2555 24j

k Excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041) 24k

z Other adjustments. List type and amount ▶ 24z

25 Total other adjustments. Add lines 24a through 24z 25

26 Add lines 11 through 23 and 25. These are your **adjustments to income**. Enter here and on Form 1040 or 1040-SR, line 10, or Form 1040-NR, line 10a 26

Schedule 1 (Form 1040) 2021 Page 2

Deductions

- ▶ The AGI calculation includes certain allowable deductions that reduce the total gross income.
- ▶ These deductions follow IRS rules.
 - ▶ Some deductions may have annual limits or are variable.

5% FPL Income Disregard

- ▶ Countable MAGI is reduced by an amount equal to five percentage points of the federal poverty level (FPL) based on the household size to determine net income.
 - ▶ Exception: Recipients of Parent/Caretakers) Medical (N01) do not receive this income disregard unless they are receiving Medicare.

See WAC 182-509-0300

MAGI Calculation

Gross Countable Income
- Allowable IRS Deductions
- 5% FPL Income Disregard
Total MAGI

Point-In-Time Methodology



Point-In-Time Income

- ▶ Definition: Income that is received or likely to be received in the month a person applies, renews coverage, or has a redetermination of Apple Health coverage.
- ▶ A point-in-time calculation can be used to determine a person's countable income.

See WAC 182-509-0310

Point-In-Time Calculation

- ▶ The following calculations are used to determine a person's countable income when they are paid more than once per month:
 - ▶ Weekly: multiply weekly expected income by 4.3.
 - ▶ Every other week: multiply expected income by 2.15.
 - ▶ Twice per month: multiply expected income by 2.
- ▶ For those paid less than once a month, individuals can use an average to calculate monthly income.
 - ▶ Monthly average – total income for a period divided by the # of months in the timeframe.

Point-In-Time Calculation

- ▶ When reporting income for individuals whose income varies seasonally, individuals can choose to use either the point-in-time methodology or by calculating the monthly average.
 - ▶ Example: Fishers who work seasonally during the summer.

Earned Income



Earned Income

- ▶ Earned income is income received from working, which may include:
 - ▶ Wages;
 - ▶ Salaries;
 - ▶ Tips;
 - ▶ Commissions;
 - ▶ Bonuses; and
 - ▶ Profits from self-employment activities.
- ▶ The taxable gross amount of earnings are used to determine eligibility.

See WAC 182-509-0330

Self-Employment Income



Self-Employment Income

- ▶ Self-employment income is earned by an individual, from:
 - ▶ Running a business;
 - ▶ Performing a service;
 - ▶ Selling items that are made; or
 - ▶ Reselling items with the intent to make a profit.
- ▶ This income can be earned if the person is:
 - ▶ Performing a trade;
 - ▶ In business as a sole proprietor or an independent contractor;
 - ▶ Member of partnership that carries on a business; or
 - ▶ Otherwise in business for themselves.

See WAC 182-509-0365

Determining Self-Employment

- ▶ Self-employment income is determined using an individual's most recent federal tax return, unless:
 - ▶ The individual does not file taxes;
 - ▶ The individual has not been in business long enough to have filed a tax return for their new business; or
 - ▶ The most recent tax return is not a good reflection of their current income.
- ▶ If any of these conditions apply, individuals can report their income using their most recent three-month profit and loss statement.

Calculating Self-Employment

- ▶ Net self-employment is used to determine eligibility for MAGI Apple Health programs.

Gross Self-Employment Income
- Allowable IRS Business Expenses
Net Self-Employment Income

Self-Employment Income

- ▶ Types of self-employment for individuals can include:
 - ▶ Babysitting.
 - ▶ Drive for Uber or Lyft.
 - ▶ Rent out a room of their home.
 - ▶ Resell items on Ebay.
 - ▶ Own their own daycare.
 - ▶ Partner in a medical practice.
 - ▶ Shareholders in their own corporation.

Sole Proprietorship

Description	<p>This common business structure is simple to form and operate. The individual is in business alone and personally liable for all debts incurred by the business.</p> <p>Can include royalties and some limited liability companies (LLC).</p>
Business required to file taxes?	No
IRS Tax Form(s) & Location	Schedules C and Schedule 1, line 3
Common Examples	Babysitters, bookkeepers, real estate agents, shopkeepers, private contractors, translators, truck drivers, insurance agents, etc.

Sole Proprietorship Tax Forms

SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship)

OMB No. 1545-0074
2021 Attachment Sequence No. 09

Department of the Treasury Internal Revenue Service (99) ▶ Go to www.irs.gov/ScheduleC for instructions and the latest information.
▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships must generally file Form 1065.

Name of proprietor _____ Social security number (SSN) _____

A Principal business or profession, including product or service (see instructions) _____ B Enter code from instructions _____

C Business name. If no separate business name, leave blank. _____ D Employer ID number (EIN) (see instr.) _____

SCHEDULE 1 (Form 1040) Additional Income and Adjustments to Income

OMB No. 1545-0074
2021 Attachment Sequence No. 01

Department of the Treasury Internal Revenue Service ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

Name(s) shown on Form 1040, 1040-SR, or 1040-NR _____ Your social security number _____

Part I Income		Part I Additional Income	
1	Gross receipts from Form W-2 and	1	Taxable refunds, credits, or offsets of state and local income taxes
2	Returns and allowances	2a	Alimony received
3	Subtract line 2	b	Date of original divorce or separation agreement (see instructions) ▶ _____
4	Cost of goods sold	3	Business income or (loss). Attach Schedule C
5	Gross profit (loss)	4	Other gains or (losses). Attach Form 4797
6	Other income	5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E
7	Gross income	6	Farm income or (loss). Attach Schedule F
Part II Expense		7	Unemployment compensation
8	Advertising	8	Other income:
9	Car and truck expenses (see instructions)	a	Net operating loss 8a ()
10	Commissions and fees	b	Gambling income 8b
11	Contract labor (see instructions)	c	Cancellation of debt 8c
12	Depreciation and depletion	d	Foreign earned income exclusion from Form 2555 8d ()
13	Depreciation and depletion expense deducted in Part II (see instructions)	e	Taxable Health Savings Account distribution 8e
14	Employee benefits (other than on Form 1040-NR)	f	Alaska Permanent Fund dividends 8f
15	Insurance (other than on Form 1040-NR)	g	Jury duty pay 8g
16	Interest (see instructions)	h	Prizes and awards 8h
17	Mortgage interest (paid or accrued)	i	Activity not engaged in for profit income 8i
18	Other (see instructions)	j	Stock options 8j
19	Legal and professional fees	k	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property 8k
20	Net profit or (loss) from Schedule C	l	Olympic and Paralympic medals and USOC prize money (see instructions) 8l
21	Net profit or (loss) from Schedule C	m	Section 951(a) inclusion (see instructions) 8m
22	Net profit or (loss) from Schedule C	n	Section 951A(a) inclusion (see instructions) 8n
23	Net profit or (loss) from Schedule C	o	Section 461(f) excess business loss adjustment 8o
24	Net profit or (loss) from Schedule C	p	Taxable distributions from an ABL account (see instructions) 8p
25	Net profit or (loss) from Schedule C	z	Other income. List type and amount ▶ _____ 8z
26	Net profit or (loss) from Schedule C	9	Total other income. Add lines 8a through 8z 9
27	Net profit or (loss) from Schedule C	10	Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8 10

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71479F Schedule 1 (Form 1040) 2021

- ▶ Business profit or loss is calculated and reported using Schedule C.
- ▶ The total business profit or loss is reported on Schedule 1 line 3, along with other income and adjustments to income.

Partnership

Description	Income received from a business when a relationship exists between two or more persons who join to carry on a trade or business. The different types of partnerships can include, general partnership, limited partnership, limited liability partnership (LLP), and limited liability limited partnership (LLLLP).
Business required to file taxes?	Yes
IRS Tax Form(s) & Location	Form 1065, Schedules E, and Schedule 1, line 5
Common Examples	Real estate businesses, dance studios, medical and legal practices, marketing firms, small retail stores, etc.

Form 1065 U.S. Return of Partnership Income OMB No. 1545-0123
 For calendar year 2021, or tax year beginning _____, 2021, ending _____, 2021
 Department of the Treasury Internal Revenue Service
 ▶ Go to www.irs.gov/Form1065 for instructions and the latest information.

SCHEDULE E (Form 1040) Supplemental Income and Loss OMB No. 1545-0074
 (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)
 Department of the Treasury Internal Revenue Service (99)
 ▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041.
 ▶ Go to www.irs.gov/ScheduleE for instructions and the latest information.
 Attachment Sequence No. 13

SCHEDULE 1 (Form 1040) Additional Income and Adjustments to Income OMB No. 1545-0074
 Department of the Treasury Internal Revenue Service
 ▶ Attach to Form 1040, 1040-SR, or 1040-NR.
 ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.
 Attachment Sequence No. 01

Part I Income or Loss From Rental Real Estate and Royalties Note: If you are in the business of renting personal property, use

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	1
2a	Alimony received	2a
3	Business income or (loss). Attach Schedule C	3
4	Other gains or (losses). Attach Form 4797	4
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5
6	Farm income or (loss). Attach Schedule F	6
7	Unemployment compensation	7
8	Other income:	
	a Net operating loss	8a
	b Gambling income	8b
	c Cancellation of debt	8c
	d Foreign earned income exclusion from Form 2555	8d
	e Taxable Health Savings Account distribution	8e
	f Alaska Permanent Fund dividends	8f
	g Jury duty pay	8g
	h Prizes and awards	8h
	i Activity not engaged in for profit income	8i
	j Stock options	8j
	k Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8k
	l Olympic and Paralympic medals and USOC prize money (see instructions)	8l
	m Section 951(a) inclusion (see instructions)	8m
	n Section 951A(a) inclusion (see instructions)	8n
	o Section 461(f) excess business loss adjustment	8o
	p Taxable distributions from an ABL account (see instructions)	8p
	z Other income. List type and amount ▶	8z
9	Total other income. Add lines 8a through 8z	9
10	Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	10

Partnership Tax Forms

- ▶ Partnership income is calculated on Schedule E.
- ▶ The total partnership income is reported on Schedule 1 line 5, along with other income and adjustments to income.

Corporation

Description	Has a more complex business structure. Shareholders or owners of the corporation are employees of the corporation that receive wages and can receive additional income from the corporation. The types of corporations can be C corporations, S corporations, non-profit, and some limited liability companies (LLCs).
Business required to file taxes?	Yes
IRS Tax Form(s) & Location	Form 1120/ 1120S, Schedule E, Schedule 1, line 5. Wages will show on line 1 of Form 1040.
Common Examples	Gas stations, general stores, real estate businesses, insurance agencies, chiropractors, dentists, etc.

Corporation Tax Forms

Schedule K-1 (Form 1120-S) 2021 **Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items**

OMB No. 1545-0123

For calendar year 2021, or tax year

1 Ordinary business income (loss) 13 Credits

SCHEDULE E (Form 1040) **Supplemental Income and Loss** OMB No. 1545-0074

2021

Attach to Form 1040, 1040-SR, 1040-NR, or 1041.

SCHEDULE 1 (Form 1040) **Additional Income and Adjustments to Income** OMB No. 1545-0074

2021

Attachment Sequence No. 01

Go to www.irs.gov/Form1040 for instructions and the latest information.

Name(s) shown on Form 1040, 1040-SR, or 1040-NR Your social security number

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions)		
3	Business income or (loss). Attach Schedule C	3	
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income	8	

Form 1040 U.S. Individual Income Tax Return 2021 OMB No. 1545-0074

IRS Use Only—Do not write or staple in this space.

Filing Status Single Married filing jointly Married filing separately (MFS) Head of household (HOH) Qualifying widow(er) (QW)

Standard Deduction You as a dependent Your spouse as a dependent Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: Were born before January 2, 1957 Are blind **Spouse:** Was born before January 2, 1957 Is blind

Dependents (see instructions):

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see instructions):	Child tax credit	Credit for other dependents
					<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>

1 Wages, salaries, tips, etc. Attach Form(s) W-2 **1**

2a Tax-exempt interest **2a**

2b Taxable interest **2b**

3a Qualified dividends **3a**

3b Ordinary dividends **3b**

4a IRA distributions **4a**

4b Taxable amount **4b**

5a Pensions and annuities **5a**

5b Taxable amount **5b**

6a Social security benefits **6a**

6b Taxable amount **6b**

7 Capital gain or (loss). Attach Schedule D if required. If not required, check here **7**

8 Other income from Schedule 1, line 10 **8**

9 Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income** **9**

10 Adjustments to income from Schedule 1, line 26 **10**

▶ Income from dividends or the corporation's gains or losses is reported on various tax forms, but notably listed on line 5 of Schedule 1.

▶ Employees of a corporation receives wages, which would be shown on line 1 of Form 1040.

Rental Income

Description	Income or services received from the use of real estate or personal property. This can include royalties (typically property royalties).	
Business required to file taxes?		No
IRS Tax Form & Location	Schedule E and Schedule 1, line 5	
Common Examples	Renting a room out of your house, leasing part of your property as storage, having numerous rental homes, etc.	

SCHEDULE E (Form 1040) **Supplemental Income and Loss** OMB No. 1545-0074
 (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)
 Department of the Treasury Internal Revenue Service (99) **2021** Attachment Sequence No. 13
 ▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041.
 ▶ Go to www.irs.gov/ScheduleE for instructions and the latest information.

Name(s) shown on return _____ Your social security number _____

Part I **Income or Loss From Rental Real Estate and Royalties** Note: If you are in the business of renting personal property, use Schedule C. See instructions. If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.

SCHEDULE 1 (Form 1040) **Additional Income and Adjustments to Income** OMB No. 1545-0074
 Department of the Treasury Internal Revenue Service **2021** Attachment Sequence No. 01
 ▶ Attach to Form 1040, 1040-SR, or 1040-NR.
 ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

Name(s) shown on Form 1040, 1040-SR, or 1040-NR _____ Your social security number _____

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions) ▶		
3	Business income or (loss). Attach Schedule C	3	
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income:		
a	Net operating loss	8a	()
b	Gambling income	8b	
c	Cancellation of debt	8c	
d	Foreign earned income exclusion from Form 2555	8d	()
e	Taxable Health Savings Account distribution	8e	
f	Alaska Permanent Fund dividends	8f	
g	Jury duty pay	8g	
h	Prizes and awards	8h	
i	Activity not engaged in for profit income	8i	
j	Stock options	8j	
k	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8k	
l	Olympic and Paralympic medals and USOC prize money (see instructions)	8l	
m	Section 951(a) inclusion (see instructions)	8m	
n	Section 951A(a) inclusion (see instructions)	8n	
o	Section 461(l) excess business loss adjustment	8o	
p	Taxable distributions from an ABL account (see instructions)	8p	
z	Other income. List type and amount ▶	8z	
9	Total other income. Add lines 8a through 8z	9	
10	Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	10	

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71479F Schedule 1 (Form 1040) 2021

Rental Income Tax Forms

- ▶ Rental income is filed on Schedule E and reported on line 5 of Schedule 1.
- ▶ Royalty income from property royalties are similarly reported using the same forms.

Farming

Description	Income received from farming activities.
Business required to file taxes?	No
IRS Tax Form & Location	Schedule F and Schedule 1, line 6
Common Examples	Income received from dairy, poultry, fish farming or operating a plantation, ranch, range, orchard or grove.

Farming Tax Forms

SCHEDULE F (Form 1040) Profit or Loss From Farming OMB No. 1545-0074
 2021 Attachment Sequence No. 14
 Department of the Treasury Internal Revenue Service (99)
 Attach to Form 1040, Form 1040-SR, Form 1040-NR, Form 1041, or Form 1065.
 Go to www.irs.gov/ScheduleF for instructions and the latest information.

Name of proprietor Social security number (SSN)

A Principal crop or activity B Enter code from Part IV C Accounting method: Cash Accrual D Employer ID number (EIN) (see instr.)

E Did you "materially participate" in the operation of this business during 2021? If "No," see instructions for limit on passive losses. Yes No

F Did you make a "qualified farm investment" during 2021? Yes No

G If "Yes," did you: Yes No

SCHEDULE 1 (Form 1040) Additional Income and Adjustments to Income OMB No. 1545-0074
 2021 Attachment Sequence No. 01
 Department of the Treasury Internal Revenue Service
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 Go to www.irs.gov/Form1040 for instructions and the latest information.

Name(s) shown on Form 1040, 1040-SR, or 1040-NR Your social security number

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions) ▶		
3	Business income or (loss). Attach Schedule C	3	
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income:		
a	Net operating loss	8a	()
b	Gambling income	8b	
c	Cancellation of debt	8c	
d	Foreign earned income exclusion from Form 2555	8d	()
e	Taxable Health Savings Account distribution	8e	
f	Alaska Permanent Fund dividends	8f	
g	Jury duty pay	8g	
h	Prizes and awards	8h	
i	Activity not engaged in for profit income	8i	
j	Stock options	8j	
k	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8k	
l	Olympic and Paralympic medals and USOC prize money (see instructions)	8l	
m	Section 951(a) inclusion (see instructions)	8m	
n	Section 951A(a) inclusion (see instructions)	8n	
o	Section 461(l) excess business loss adjustment	8o	
p	Taxable distributions from an ABLA account (see instructions)	8p	
z	Other income. List type and amount ▶	8z	
9	Total other income. Add lines 8a through 8z	9	
10	Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	10	

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- ▶ Farming income is filed on Schedule F and reported on line 6 of Schedule 1.
- ▶ Does not include income received from tribal activities since that is not taxable.

Unearned Income



What is Unearned Income?

- ▶ Unearned income is received from a source other than employment.
- ▶ Common examples of unearned income include:
 - ▶ Title II Social Security benefits;
 - ▶ Unemployment compensation;
 - ▶ Interest income;
 - ▶ Pensions, annuities, and IRAs;
 - ▶ Dividends;
 - ▶ Military retirements;
 - ▶ Alimony; and
 - ▶ Rental income.

See WAC 182-509-0325

Title II Social Security Benefits

- ▶ Social Security benefits are payments administered by the Social Security Administration (SSA) based on age, survivor status, or having a disability.
 - ▶ Although Title II Social Security benefits are typically exempt from a person's adjusted gross income for tax purposes, this income is counted for MAGI-based Apple Health.
- ▶ Countable Title II Social Security benefits include:
 - ▶ Retirement benefits;
 - ▶ Disability benefits (SSDI);
 - ▶ Dependent benefits; and
 - ▶ Survivor benefits.

SSDI vs. SSI

- ▶ Sometimes, there is confusion between Title II Social Security Disability Insurance Benefits (SSDI), and Supplemental Security Income (SSI). Both are disability payments received from the Social Security Administration, but only SSDI payments are countable income for MAGI-based Apple Health.
 - ▶ SSI recipients automatically receive Apple Health Classic Medicaid and are not eligible for MAGI-based Apple Health coverage.

SSDI (Countable)	SSI (Non-countable)
<ul style="list-style-type: none">▶ This benefit is paid based on age or disability, and the amount received is based on the insured person's lifetime earnings and contributions to Social Security taxes (FICA).▶ Recipients become Medicare eligible after receiving SSDI for two years.	<ul style="list-style-type: none">▶ This benefit is paid to disabled adults or children with limited income and resources.▶ Benefit amounts are standardized▶ Eligible for Classic Medicaid (S01).

Form **1040** Department of the Treasury—Internal Revenue Service (99) **2021** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status Single Married filing jointly Married filing separately (MFS) Head of household (HOH) Qualifying widow(er) (QW)
 Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial Last name Your social security number
 If joint return, spouse's first name and middle initial Last name Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Presidential Election Campaign
 Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.
 You Spouse

City, town, or post office. If you have a foreign address, also complete spaces below. State ZIP code
 Foreign country name Foreign province/state/county Foreign postal code

At any time during 2021, did you receive, sell, exchange, or otherwise dispose of any financial interest in any virtual currency? Yes No

Standard Deduction Someone can claim: You as a dependent Your spouse as a dependent
 Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: Were born before January 2, 1957 Are blind Spouse: Was born before January 2, 1957 Is blind

Dependents (see instructions):
 If more than four dependents, see instructions and check here ▶

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see instructions):	
				Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

1 Wages, salaries, tips, etc. Attach Form(s) W-2	1
2a Tax-exempt interest	2a
3a Qualified dividends	3a
4a IRA distributions	4a
5a Pensions and annuities	5a
6a Social security benefits	6a
7 Capital gain or (loss). Attach Schedule D if required. If not required, check here	7
8 Other income from Schedule 1, line 10	8
9 Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9
10 Adjustments to income from Schedule 1, line 26	10
11 Subtract line 10 from line 9. This is your adjusted gross income	11
12a Standard deduction or itemized deductions (from Schedule A)	12a
b Charitable contributions if you take the standard deduction (see instructions)	12b
c Add lines 12a and 12b	12c
13 Qualified business income deduction from Form 8995 or Form 8995-A	13
14 Add lines 12c and 13	14
15 Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-	15

Attach Sch. B if required.

Standard Deduction for—
 • Single or Married filing separately, \$12,550
 • Married filing jointly or Qualifying widow(er), \$25,100
 • Head of household, \$18,800
 • If you checked any box under Standard Deduction, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2021)

Title II SSDI Benefits

▶ Social Security benefits are reported on line 6a of Form 1040.

▶ Only the taxable amount is listed on line 6b, but all benefits are countable.

▶ SSDI recipients receive an annual benefits letter that can also be used to verify income.

Dividend Income

- ▶ Dividends are the distribution of property paid out to shareholders of a corporation, or to individuals with an interest in an estate, trust, S corporation, or other associations that are taxable as a corporation.
- ▶ Though most dividends are paid in cash, shareholders could receive other property, services, stocks, etc., in lieu of cash.
- ▶ Dividends are taxable income and countable for MAGI eligibility.

Dividends

- ▶ Qualified and ordinary dividends are listed separately on the 1040 tax form, but the total dividend amount is included on line 3b.

Attach Sch. B if required.	1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	
	2a	Tax-exempt interest	2a	
			b	Taxable interest
	3a	Qualified dividends	3a	
			b	Ordinary dividends
	3b		3b	
	4a	IRA distributions	4a	
			b	Taxable amount
	4b		4b	
	5a	Pensions and annuities	5a	
			b	Taxable amount
	5b		5b	
	6a	Social security benefits	6a	
			b	Taxable amount
	6b		6b	
	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	7	
	8	Other income from Schedule 1, line 10	8	
	9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income <input type="checkbox"/>	9	
	10	Adjustments to income from Schedule 1, line 26	10	
	11	Subtract line 10 from line 9. This is your adjusted gross income <input type="checkbox"/>	11	
	12a	Standard deduction or itemized deductions (from Schedule A)	12a	
	b	Charitable contributions if you take the standard deduction (see instructions)	12b	
	c	Add lines 12a and 12b	12c	
	13	Qualified business income deduction from Form 8995 or Form 8995-A	13	
	14	Add lines 12c and 13	14	
	15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-	15	

Standard Deduction for—

- Single or Married filing separately, \$12,550
- Married filing jointly or Qualifying widow(er), \$25,100
- Head of household, \$18,800
- If you checked any box under Standard Deduction, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B **Form 1040** (2021)

Pensions, Annuities, and IRAs

- ▶ Pensions, annuities, and individual retirement accounts (IRAs) are fixed sums of money paid out to an individual for the rest of their life.
 - ▶ Examples of this type of income include 401K distributions, pensions, annual lottery payouts, etc.
- ▶ Generally, these income types are taxable and countable for MAGI eligibility
 - ▶ Though there are exceptions, the rules are complicated and depend on the individual's circumstances.

Pensions, Annuities, and IRAs

- ▶ IRA distributions are listed on line 4a and 4b of Form 1040. Use the taxable amount on line 4b.
- ▶ Pensions and annuities are listed on line 5a and 5b of Form 1040. Use the taxable amount on line 5b.

Attach Sch. B if required.	1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	
	2a	Tax-exempt interest	2a	
	2b	Taxable interest	2b	
	3a	Qualified dividends	3a	
	3b	Ordinary dividends	3b	
	4a	IRA distributions	4a	
	4b	Taxable amount	4b	
	5a	Pensions and annuities	5a	
	5b	Taxable amount	5b	
	6a	Social security benefits	6a	
	6b	Taxable amount	6b	
	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	7	
	8	Other income from Schedule 1, line 10	8	
	9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income ▶	9	
	10	Adjustments to income from Schedule 1, line 26	10	
	11	Subtract line 10 from line 9. This is your adjusted gross income ▶	11	
Standard Deduction for— • Single or Married filing separately, \$12,550 • Married filing jointly or Qualifying widow(er), \$25,100 • Head of household, \$18,800 • If you checked any box under Standard Deduction, see Instructions.	12a	Standard deduction or itemized deductions (from Schedule A)	12a	
	b	Charitable contributions if you take the standard deduction (see instructions)	12b	
	c	Add lines 12a and 12b	12c	
	13	Qualified business income deduction from Form 8995 or Form 8995-A	13	
	14	Add lines 12c and 13	14	
	15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-	15	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B **Form 1040** (2021)

Capital Gain or Loss

- ▶ The financial gain or loss from the sale or exchange of a capital asset.
 - ▶ A capital asset includes physical property, such as your home or car, as well as investment property such as stocks and bonds.
- ▶ The frequency of this income type depends on the individual's circumstances. The income can be received at one time or expected to be ongoing and continue over a length of time.

Capital Gain or Loss

- ▶ Countable capital gains and losses:
 - ▶ Sale of assets for a business that is still operating.
 - ▶ Sale of a house by an individual who owns numerous homes.
 - ▶ Sale of stocks, shares, or other investment property.
 - ▶ The capital gain or loss is ongoing.
- ▶ Non-countable capital gains and losses:
 - ▶ Sale of assets for a business that is no longer operating.
 - ▶ One-time sale of home or property.
 - ▶ The capital gain or loss is a one-time occurrence.

Capital Gains and Losses

- ▶ Capital gain or loss are listed on line 7 of Form 1040.

Attach Sch. B if required.	1	Wages, salaries, tips, etc. Attach Form(s) W-2			1				
	2a	Tax-exempt interest	2a		b	Taxable interest	2b		
	3a	Qualified dividends	3a		b	Ordinary dividends	3b		
	4a	IRA distributions	4a		b	Taxable amount	4b		
	5a	Pensions and annuities	5a		b	Taxable amount	5b		
	6a	Social security benefits	6a		b	Taxable amount	6b		
Standard Deduction for— • Single or Married filing separately, \$12,550 • Married filing jointly or Qualifying widow(er), \$25,100 • Head of household, \$18,800 • If you checked any box under Standard Deduction, see Instructions.	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here			<input type="checkbox"/>		7		
	8	Other income from Schedule 1, line 10					8		
	9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income						9	
	10	Adjustments to income from Schedule 1, line 26						10	
	11	Subtract line 10 from line 9. This is your adjusted gross income						11	
	12a	Standard deduction or itemized deductions (from Schedule A)	12a						
	b	Charitable contributions if you take the standard deduction (see instructions)	12b						
	c	Add lines 12a and 12b						12c	
	13	Qualified business income deduction from Form 8995 or Form 8995-A						13	
	14	Add lines 12c and 13						14	
15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-						15		

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B **Form 1040** (2021)

Interest Income

- ▶ This income is earned from investments that pay interest, such as savings accounts, money market accounts, or certificates of deposit.
- ▶ For the purposes of MAGI eligibility, all interest income received or accrued is countable, regardless of whether it is taxable or not.

Interest Income

- ▶ Tax-exempt interest is listed on line 2a of Form 1040, but for MAGI-based Apple Health programs all interest income is countable. Use the amounts listed in boxes 2a and 2b.

1		Wages, salaries, tips, etc. Attach Form(s) W-2		1	
Attach Sch. B if required.	2a	Tax-exempt interest	2a	b	Taxable interest
	2b		2b		
Standard Deduction for— • Single or Married filing separately, \$12,550 • Married filing jointly or Qualifying widow(er), \$25,100 • Head of household, \$18,600 • If you checked any box under Standard Deduction, see Instructions.	3a	Qualified dividends	3a	b	Ordinary dividends
	3b		3b		
	4a	IRA distributions	4a	b	Taxable amount
	4b		4b		
	5a	Pensions and annuities	5a	b	Taxable amount
	5b		5b		
	6a	Social security benefits	6a	b	Taxable amount
	6b		6b		
	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here		<input type="checkbox"/>	7
	8	Other income from Schedule 1, line 10			8
	9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income			9
	10	Adjustments to income from Schedule 1, line 26			10
	11	Subtract line 10 from line 9. This is your adjusted gross income			11
	12a	Standard deduction or itemized deductions (from Schedule A)	12a		
	b	Charitable contributions if you take the standard deduction (see instructions)	12b		
	c	Add lines 12a and 12b			12c
	13	Qualified business income deduction from Form 8995 or Form 8995-A			13
	14	Add lines 12c and 13			14
	15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-			15

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2021)

Alimony Income

- ▶ This income is received from a current or former spouse, as a result of a divorce decree or separation agreement.
 - ▶ Does not include voluntary payments or child support payments.
- ▶ Alimony income is taxable and countable for purposes of determining MAGI eligibility.
 - ▶ Alimony agreement must be unmodified and established by December 31, 2018.

SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040, 1040-SR, or 1040-NR. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.		2021 Attachment Sequence No. 01
Name(s) shown on Form 1040, 1040-SR, or 1040-NR			Your social security number	
Part I Additional Income				
1	1	Taxable refunds, credits, or offsets of state and local income taxes		1
2a	2a	Alimony received		2a
b		Date of original divorce or separation agreement (see instructions) ▶		
3	3	Business income or (loss). Attach Schedule C		3
4	4	Other gains or (losses). Attach Form 4797		4
5	5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		5
6	6	Farm income or (loss). Attach Schedule F		6
7	7	Unemployment compensation		7
8		Other income:		
a	8a	Net operating loss		()
b	8b	Gambling income		
c	8c	Cancellation of debt		
d	8d	Foreign earned income exclusion from Form 2555		()
e	8e	Taxable Health Savings Account distribution		
f	8f	Alaska Permanent Fund dividends		
g	8g	Jury duty pay		
h	8h	Prizes and awards		
i	8i	Activity not engaged in for profit income		
j	8j	Stock options		
k		Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such		

Alimony Income

- ▶ Alimony income is listed on line 2a on the Schedule 1.
- ▶ This income is included in the total adjustments included on line 8 of Form 1040.

1	1	Wages, salaries, tips, etc. Attach Form(s) W-2		1
2a	2a	Tax-exempt interest		2b
3a	3a	Qualified dividends		3b
4a	4a	IRA distributions		4b
5a	5a	Pensions and annuities		5b
6a	6a	Social security benefits		6b
7	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>		7
8	8	Other income from Schedule 1, line 10		8
9	9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income ▶		9
10	10	Adjustments to income from Schedule 1, line 26		10
11	11	Subtract line 10 from line 9. This is your adjusted gross income ▶		11
12a	12a	Standard deduction or itemized deductions (from Schedule A)		
b	12b	Charitable contributions if you take the standard deduction (see instructions)		
c	12c	Add lines 12a and 12b		12c
13	13	Qualified business income deduction from Form 8995 or Form 8995-A		13
14	14	Add lines 12c and 13		14
15	15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-		15

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11320B

Form 1040 (2021)

Unemployment Compensation

- ▶ Unemployment compensation is temporary income received, under the compensation laws, to replace lost wages for workers who have become involuntarily unemployed.
- ▶ Benefits are paid to the individual by the state or by the District of Columbia (for DC residents).
- ▶ All unemployment compensation benefits received are countable for MAGI-based Apple Health.

SCHEDULE 1 (Form 1040) **Additional Income and Adjustments to Income** OMB No. 1545-0074

▶ Attach to Form 1040, 1040-SR, or 1040-NR.
▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

2021
Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR: _____ Your social security number: _____

Unemployment Compensation

- ▶ Unemployment is listed on line 7 of the Schedule 1.
- ▶ This income is included in the total adjustments included on line 8 of Form 1040.

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
	b Date of original divorce or separation agreement (see instructions) ▶ _____		
3	Business income or (loss). Attach Schedule C	3	
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income:		
a	Net operating loss	8a	()
b	Gambling income	8b	
c	Cancellation of debt	8c	
d	Foreign earned income exclusion from Form 2555	8d	()
e	Taxable Health Savings Account distribution	8e	
f	Alaska Permanent Fund dividends	8f	
g	Jury duty pay	8g	
h	Prizes and awards	8h	
i	Activity not engaged in for profit income	8i	

	1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	
Attach Sch. B if required.	2a	Tax-exempt interest	2a	
	3a	Qualified dividends	3a	
	4a	IRA distributions	4a	
Standard Deduction for—	5a	Pensions and annuities	5a	
	6a	Social security benefits	6a	
• Single or Married filing separately, \$12,550	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here	7	<input type="checkbox"/>
• Married filing jointly or Qualifying widow(er), \$25,100	8	Other income from Schedule 1, line 10	8	
• Head of household, \$18,800	9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9	
• If you checked any box under Standard Deduction, see instructions.	10	Adjustments to income from Schedule 1, line 26	10	
	11	Subtract line 10 from line 9. This is your adjusted gross income	11	
	12a	Standard deduction or itemized deductions (from Schedule A)	12a	
	b	Charitable contributions if you take the standard deduction (see instructions)	12b	
	c	Add lines 12a and 12b	12c	
	13	Qualified business income deduction from Form 8995 or Form 8995-A	13	
	14	Add lines 12c and 13	14	
	15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-	15	

Other Countable Income or Loss

- ▶ Other sources of less-common countable income may include:
 - ▶ Per capita income;
 - ▶ Net-operating loss;
 - ▶ Gambling, lottery, or raffle winnings;
 - ▶ Jury duty pay;
 - ▶ Rewards including Nobel, Pulitzer, or other prizes;
 - ▶ Strike or lockout benefits;
 - ▶ Whistleblower's award;
 - ▶ Compensation for donations such as blood, plasma, egg, embryo, or sperm; and
 - ▶ Unearned income-in-kind.

SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040, 1040-SR, or 1040-NR. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.		2021 Attachment Sequence No. 01
Name(s) shown on Form 1040, 1040-SR, or 1040-NR			Your social security number	
Part I Additional Income				
1	Taxable refunds, credits, or offsets of state and local income taxes	1		
2a	Alimony received	2a		
b	Date of original divorce or separation agreement (see instructions) ▶			
3	Business income or (loss). Attach Schedule C	3		
4	Other gains or (losses). Attach Form 4797	4		
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5		
6	Farm income or (loss). Attach Schedule F	6		
7	Unemployment compensation	7		
8	Other income:			
a	Net operating loss	8a	()	
b	Gambling income	8b		
c	Cancellation of debt	8c		
d	Foreign earned income exclusion from Form 2555	8d	()	
e	Taxable Health Savings Account distribution	8e		
f	Alaska Permanent Fund dividends	8f		
g	Jury duty pay	8g		
h	Prizes and awards	8h		
i	Activity not engaged in for profit income	8i		
j	Stock options	8j		
k	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8k		
l	Olympic and Paralympic medals and USOC prize money (see instructions)	8l		
m	Section 951(a) inclusion (see instructions)	8m		
n	Section 951A(a) inclusion (see instructions)	8n		
o	Section 461(l) excess business loss adjustment	8o		
p	Taxable distributions from an ABLA account (see instructions)	8p		
z	Other income. List type and amount ▶	8z		
9	Total other income. Add lines 8a through 8z	9		
10	Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	10		
For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71479F Schedule 1 (Form 1040) 2021				

Other Income

- ▶ The total other income is listed on line 9 of the Schedule 1 Form.
 - ▶ Line 9 is the total of lines 8a-8z, which lists the common types of 'Other Income.'
- ▶ This income is included in the total adjustments included on line 8 of 1040 Form.

Foreign Income



Foreign Income

- ▶ Foreign income that is typically excluded from a person's AGI under Section 911 of the IRC is countable income for MAGI-based Apple Health.
- ▶ This can include any earned or unearned income from a foreign source, including:
 - ▶ Wages;
 - ▶ Salaries;
 - ▶ Pensions;
 - ▶ Annuities; and
 - ▶ Housing.

See WAC 182-509-0300

Non-Countable Income



Non-countable Income

- ▶ For the purposes of MAGI eligibility for Apple Health, some types of income are not counted.
- ▶ Income that is not countable may include:
 - ▶ Bona fide loans;
 - ▶ Federal income tax returns;
 - ▶ Child support payments;
 - ▶ Title IV-E and state foster care maintenance payments;
 - ▶ Needs-based assistance from other agencies;
 - ▶ Veteran's disability and educational benefits;
 - ▶ Non-taxable time loss benefits / L&I benefits; and
 - ▶ Death benefits from life insurance.

See WAC 182-509-0320

Educational Income



Educational Benefits

- ▶ Income from educational assistance programs that is used for educational purposes, and not living expenses, is not countable.
- ▶ These can include programs administered by:
 - ▶ Title IV of the Higher Education Amendments;
 - ▶ Department of Education;
 - ▶ Department of Veteran's Affairs;
 - ▶ Bureau of Indian Affairs; and
 - ▶ Carl D. Perkins Vocational and Technology Education Act.

See WAC 182-509-0335

Educational Benefits

- ▶ In addition, scholarships, awards, or fellowship grants used for educational purposes, and not living expenses, are not countable income for MAGI-based Apple Health programs.
- ▶ Common examples include:
 - ▶ Pell grants;
 - ▶ State need grant;
 - ▶ GI bill payments; or
 - ▶ State and Federal work study.

American Indian/ Alaska Native Income



American Indian/Alaska Native Income

- ▶ For MAGI-based Apple Health, the following American Indian/Alaska Native income is excluded.
 - ▶ Distributions from Alaska Native corporations or settlement trusts;
 - ▶ Distributions from property held in trust or within current or prior boundaries of reservation;
 - ▶ Rents, leases, royalties, or natural resource extraction/harvest from reservation or trust land, or from federally protected rights regarding off-reservation hunting, fishing, gathering, or usage of natural resources.
 - ▶ Payments related to culturally significant items, practices, or rights that support traditional lifestyles;
 - ▶ Educational assistance from Bureau of Indian Affairs; and
 - ▶ Other exclusions as provided by federal law, regulation, or rule.

Income Types	Description	Counted
Per capita - tribal gaming	Payments made to tribal members from proceeds of tribal gaming.	Yes
Per capita - natural resources	Payments made to tribal members from proceeds of the harvest or sale of natural resources.	No
Needs based payments	Payments paid to tribal members based on financial need. These can include elder payments, child assistance payments, etc. Eligibility requirements apply.	No
General welfare payments	Payments paid to tribal members for the general welfare. These payments can include elder payments, scholarships, etc.	No
Bureau of Indian Affairs	Payments made for educational assistance.	No
Earned Income	Earned income that is related to the exercise of treaty rights, extraction of natural resources on trust/reservation land, and sales of culturally significant items. This income can include working for a tribal corporation as a fisherman, fish processor, accountant, and even security guard.	No
Self-employment Income	Self-employment income that is related to the exercise of treaty rights, extraction of natural resources on trust/reservation land, and sales of culturally significant items. This can include selling tribal artwork, pottery, and baskets.	No

Lump Sums



What is a Lump Sum?

- ▶ A lump sum is a one-time payment received that is not expected to continue or anticipated to be received again.
- ▶ A lump sum is only countable if:
 - ▶ It is a countable source of income, and
 - ▶ It is received in the month of application

See WAC 182-509-0375

Lump Sum Scenario 1

- ▶ Josephine applies for coverage in February. In March, Josephine receives \$12,000 from a fishing job in Alaska, where she fishes twice a year. Is this income countable and a lump sum?

Scenario 1 Answer

- ▶ Yes, this is countable earned income. This is not a lump sum since it is not received just one time but is ongoing or anticipated to be received again. Additionally, since Josephine is paid less than once per month, an average would be used to calculate her monthly income at \$1,000/mo.

Lump Sum Scenario 2

- ▶ Maria applies for coverage in July. Maria sells her home in that same month and receives a capital gain of \$10,000. This is Maria's only home and she does not anticipate any more home sales in the near future. Is this income countable and a lump sum?

Scenario 2 Answer

- ▶ Yes, since the capital gain is a lump sum payment this income is countable in the month of application only. This income is not countable in the ongoing months.

Income of Tax Dependents or Children Age 18 or Younger



Income of Tax Dependents or Children Age 18 or Younger

- ▶ Income of tax dependents or children age 18 or younger is only countable when it meets the tax filing threshold for a tax filer (under 26 U.S.C. Sec 6012(a)(1)).
 - ▶ This rule applies regardless if the individual expects to file a federal tax return or not.
- ▶ Exception: Social Security income of tax dependents or children age 18 or younger is not counted.

Income Threshold for Tax Dependents or Children Age 18 or Younger

▶ The 2021 tax filing threshold requirements:

Income Type	Tax Filing Threshold Limit
Unearned Income	\$1,100
Earned Income	\$12,550
Both Earned/ Unearned	The larger of \$1,100 or earned (up to \$12,200) plus \$350.

Deductions



Deductions

- ▶ Deductions are IRS allowable adjustments to income that reduce an individual's taxable income.
- ▶ For MAGI-based Apple Health programs these deductions are allowable and follow the same IRS rules and limits.
 - ▶ Some deductions have yearly limits and others may vary. Deductions are annualized through an individual's certification period.

See WAC 182-509-0300

SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040, 1040-SR, or 1040-NR. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.		2021 Attachment Sequence No. 01
Name(s) shown on Form 1040, 1040-SR, or 1040-NR		Your social security number		
Part I Additional Income				
1	Taxable refunds, credits, or offsets of state and local income taxes	1		
2a	Alimony received	2a		
b	Date of original divorce or separation agreement (see instructions) ▶			
3	Business income or (loss). Attach Schedule C	3		
4	Other gains or losses			
Part II Adjustments to Income				
5	Rental real estate losses from Schedule E			
6	Farm income or loss	11		
7	Unemployment benefits	12		
8	Other income:	13		
a	Net operating loss from Schedule E	14		
b	Gambling income or loss	15		
c	Cancellation of debt income	16		
d	Foreign earned income exclusion	17		
e	Taxable health insurance received from an employer	18		
f	Alaska Permanent Fund Dividend	19a		
g	Jury duty pay received from an employer			
h	Prizes and awards			
i	Activity not engaged in for profit	20		
j	Stock options	21		
k	Income from the rental of personal property	22		
l	Olympic and Paralympic medals and USOC prize money reported on line 8l	23		
m	Section 951(a) income			
n	Section 951A(a) income			
o	Section 461(i) election			
p	Taxable distributions from qualified plans, IRAs, and annuities			
z	Other income. List type and amount ▶			
9	Total other income			
10	Combine lines 1 through 8 and 9. Enter here and on Form 1040 or 1040-SR, line 8, or Form 1040-NR, line 8			
11	Educator expenses	11		
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	12		
13	Health savings account deduction. Attach Form 8889	13		
14	Moving expenses for members of the Armed Forces. Attach Form 3903	14		
15	Deductible part of self-employment tax. Attach Schedule SE	15		
16	Self-employed SEP, SIMPLE, and qualified plans	16		
17	Self-employed health insurance deduction	17		
18	Penalty on early withdrawal of savings	18		
19a	Alimony paid	19a		
b	Recipient's SSN			
c	Date of original divorce or separation agreement (see instructions) ▶			
20	IRA deduction	20		
21	Student loan interest deduction	21		
22	Reserved for future use	22		
23	Archer MSA deduction	23		
24	Other adjustments:			
a	Jury duty pay (see instructions)	24a		
b	Deductible expenses related to income reported on line 8k from the rental of personal property engaged in for profit	24b		
c	Nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8l	24c		
d	Reforestation amortization and expenses	24d		
e	Repayment of supplemental unemployment benefits under the Trade Act of 1974	24e		
f	Contributions to section 501(c)(18)(D) pension plans	24f		
g	Contributions by certain chaplains to section 403(b) plans	24g		
h	Attorney fees and court costs for actions involving certain unlawful discrimination claims (see instructions)	24h		
i	Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations	24i		
j	Housing deduction from Form 2555	24j		
k	Excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041)	24k		
z	Other adjustments. List type and amount ▶	24z		
25	Total other adjustments. Add lines 24a through 24z	25		
26	Add lines 11 through 23 and 25. These are your adjustments to income . Enter here and on Form 1040 or 1040-SR, line 10, or Form 1040-NR, line 10a	26		

Deductions Tax Form

- ▶ Deductions are listed on Part II (page 2) of IRS Form Schedule 1.
- ▶ These deductions are listed out on lines 11-25.

Educator Expenses

Definition	Deduction for unreimbursed educator expenses (e.g., books, supplies, and other equipment). The individual must be a licensed educator (teaching K-12 and works 900+ hours per school year).		
Deduction Limit	\$300/year or \$25/month for each educator	IRS Tax Form(s) & Location:	Schedule 1, line 11
Other Document Types	Receipts showing amounts paid out of pocket for qualifying supplies.		

Certain Business Expenses of U.S. Reservists, Performing Artists, and Fee-Based Government Officials

Definition	Deduction for U.S. reservists, performing artists, or fee-based government employees who have expenses necessary for their job, including travel of more than 100 miles.		
Max Amount	Variable	IRS Tax Form(s) & Location	Schedule 1, line 12
Other Document Types	IRS Form 2106 or 2106-EZ; or Receipts showing allowable expenses.		

Health Savings Account

Definition	Deductions for pre-tax or tax deductible contributions made to a health savings account while enrolled in a high-deductible health plan.		
Max Amount	Individual \$3650/year or \$304.17/month Family \$7300/year or \$608.33/month Additional \$1,000/year contribution is allowed if the individual is age 55 or older	IRS Tax Form(s) & Location	Schedule 1, line 13
Other Document Types	Pre-tax contributions show as monthly amounts listed on wage stubs. Tax deductible contributions show on IRS Tax Form 8889.		

Moving Expenses for Armed Forces

Definition	Deduction for moving expenses only for active-duty members of the Armed Forces that are ordered to move because of a permanent change of station.		
Max Amount	Variable	IRS Tax Form(s) & Location	Schedule 1, line 14
Other Document Types	IRS tax form 3903.		

Self-Employment Tax

Definition	Deduction for tax paid to the federal government to fund Medicare and Social Security for self-employed individuals who net more than \$400 per year, or employees of churches or church organizations with income of more than \$108.28 per year.		
Max Amount	Variable	IRS Tax Form(s) & Location	Schedule 1, line 15
Other Document Types	Monthly or quarterly statement or receipt; or IRS tax form Schedule SE.		

Self-Employment Retirement Plan

Definition	Deduction for contributions made to a self-employment retirement plan including SEP, Simple, or Qualified Plan		
Max Amount	Variable	IRS Tax Form(s) & Location	Schedule 1, line 16
Other Document Types	Statement or receipts showing contributions made to a self-employed retirement plan.		

Self-Employment Health Insurance

Definition	Deduction for contributions made to self-employment health insurance plans.		
Max Amount	Variable; limited to net profit of self-employment business	IRS Tax Form(s) & Location	Schedule 1, line 17
Other Document Types	Statement or receipts showing premium payments made for medical, dental, or qualifying long-term care insurance coverage.		

Penalty on Early Withdrawal of Savings

Definition	Deduction for penalty on withdrawal of funds from a certificate of deposit or other deferred interest account before maturity.		
Max Amount	Variable	IRS Tax Form(s) & Location	Schedule 1, line 18
Other Document Types	IRS Form 1099-INT box 2; or Statement from financial institution.		

Spousal Support / Alimony

Definition	Deduction for court ordered spousal support/alimony. Does not include voluntary alimony payments or child support payments. This deduction is only allowable if the divorce decree was established prior to January 1, 2019.		
Max Amount	Variable	IRS Tax Form(s) & Location	Schedule 1, line 19a
Other Document Types	Court order with obligation amount.		

Pre-Tax Retirement Account

Definition	Deduction for contributions made to a pre-tax retirement account. Excludes Roth IRA or SIMPLE IRA contributions.		
Max Amount	Age 49 and below \$6,000/year or \$500/month. Age 50 or older \$7,000/year or \$583.33/month.	IRS Tax Form(s) & Location	Schedule 1, line 20
Other Document Types	IRS Form W-2; Wage stubs; or IRS Tax Form 5498.		

Student Loan Interest

Definition	Deduction for interest paid on student loans used for qualifying educational expenses while attending an educational institution. Principal payments are not deductible. The loan payments must be for the individual, their spouse, or their tax dependents (for tax filers) or their children in the household (for non-filers).		
Max Amount	\$2500/year or \$208.33/month	IRS Tax Form(s) & Location	Schedule 1, line 21
Other Document Types	IRS Form 1098-E; or Statement from the lender showing interest amount paid.		

Resources



Resources

- ▶ MAGI Income Part 1
 - ▶ <http://hca.wa.gov/free-or-low-cost-health-care/i-help-others-apply-and-access-apple-health/income-part-1>
- ▶ MAGI Income Part 2
 - ▶ <https://www.hca.wa.gov/free-or-low-cost-health-care/i-help-others-apply-and-access-apple-health/income-part-2>
- ▶ HCA Training & Education
 - ▶ <http://hca.wa.gov/free-or-low-cost-health-care/i-need-medical-dental-or-vision-care/stakeholder-training-and-education>
- ▶ HCA Area Representatives
 - ▶ https://www.hca.wa.gov/assets/free-or-low-cost/area_representatives.pdf
- ▶ Contact Us
 - ▶ hcavolunteerassister@hca.wa.gov



Congratulations!

You've completed MODULE 2 of HCA Community Based Training!

Please continue to MODULE 3 of the 7 module HCA Community Based Training.