



Self-Employment Income

Office of Medicaid Eligibility Policy
Medicaid Eligibility and Community Support
October 15, 2019

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MAGI Introduction

MAGI Introduction

Modified adjusted gross income (MAGI) is how income is calculated for MAGI-based Washington Apple Health (Medicaid) and Children's Health Insurance Program (CHIP) (Apple Health for Kids with Premiums) programs.

Generally, the MAGI calculation is an individual's adjusted gross income (AGI) as determined by the Internal Revenue Code (IRC) with a few modifications.

Self-Employment Income

Self-Employment Income

Self-employment income is income that is earned by a person 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:

- Carrying on a trade;
- In business as a sole proprietor or an independent contractor;
- A member of a partnership that carries on a business; or
- In business for themselves other than listed above.

See [WAC 182-509-0365](#)

Self-Employment Income

Self-employment income is determined using an individual's most recent federal tax return unless:

- The individual does not file taxes;
- Has not been in business long enough to have filed a tax return for their new business; or
- Their most recent tax return is not a good reflection of their current income.

If any of these conditions apply, individuals can report the income from their most recent three month profit and loss statement.

Self-Employment Income

Under MAGI, net self-employment income is used to determine eligibility for MAGI based Apple Health Programs.

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

Self-Employment Income

The many types of self-employment income include those for individuals who:

- Babysit part time
- 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	<ul style="list-style-type: none"> • Individual in business alone • Simple to form and operate • Most common business structure • Can include royalties and some limited liability companies (LLC) 		
Business required to file taxes?			No
Tax Form	Schedule C	IRS Form 1040 Schedule 1 Line	12
Common Examples	Babysitters, bookkeepers, real estate agents, shopkeepers, private contractors, translators, truck drivers, insurance agents, etc.		

Sole Proprietorship

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. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.		20 XX Attachment Sequence No. 01	
Name(s) shown on Form 1040				Your social security number	
Additional Income	1-9b	Reserved		1-9b	
	10	Taxable refunds, credits, or offsets of state and local income taxes		10	
	11	Alimony received		11	
	12	Business income or (loss). Attach Schedule C or C-EZ		12	
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>		13	
	14	Other gains or (losses). Attach Form 4797		14	
	15a	Reserved		15b	
	16a	Reserved		16b	
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17	
	18	Farm income or (loss). Attach Schedule F		18	
	19	Unemployment compensation		19	
	20a	Reserved		20b	
21	Other income. List type and amount ▶		21		
22	Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23		22		
Adjustments to Income	23	Educator expenses	23		
	24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	24		
	25	Health savings account deduction. Attach Form 8889	25		
	26	Moving expenses for members of the Armed Forces. Attach Form 3903	26		
	27	Deductible part of self-employment tax. Attach Schedule SE	27		
	28	Self-employed SEP, SIMPLE, and qualified plans	28		
	29	Self-employed health insurance deduction	29		
	30	Penalty on early withdrawal of savings	30		
	31a	Alimony paid b Recipient's SSN ▶	31a		
	32	IRA deduction	32		
33	Student loan interest deduction	33			
34	Reserved	34			
35	Reserved	35			
36	Add lines 23 through 35	36			

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71479F

Schedule 1 (Form 1040) 2018

Partnership

Description	<ul style="list-style-type: none"> Income received from a business when a relationship exists between two or more persons who join to carry on a trade or business Types of partnerships can include: general, limited, limited liability (LLP), and limited liability limited (LLLLP) 		
Business required to file taxes?			Yes
Tax Form	Schedule E Form 1065	IRS Form 1040 Schedule 1 Line	17
Common Examples	Real estate businesses, dance studios, medical and legal practices, marketing firms, small retail stores, etc.		

Partnership

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Adjustments to Income	23	Educator expenses		23	
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Schedule 1 (Form 1040) 2018

Corporation

Description	<ul style="list-style-type: none"> • Corporations have a more complex business structure • Shareholders or owners of the corporation are employees of the corporation and receive wages and can receive additional income from the corporation • Types of corporations can be C corporations, S corporations, non-profit, and some limited liability companies (LLCs) 		
Business required to file taxes?			Yes
Tax Form	Schedule E Form 1120/ 1120S	IRS Form 1040 Schedule 1 Line	7 and 17
Common Examples	Gas stations, general stores, real estate businesses, insurance agencies, chiropractors, dentists, etc.		

Corporation

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	16	Reserved	16	
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Schedule 1 (Form 1040) 2018

Rental

Description	<ul style="list-style-type: none"> • Income or services received from the use of real estate or personal property • Can include royalties (typically property royalties) 		
Business required to file taxes?			No
Tax Form	Schedule E	IRS Form 1040 Schedule 1 Line	17
Common Examples	Renting a room out of your house, leasing part of your property as storage, having numerous rental homes, etc.		

Rental

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	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>		13	
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Cat. No. 71479F

Schedule 1 (Form 1040) 2018

Farming

Description	<ul style="list-style-type: none"> Income received from farming activities 		
Business required to file taxes?	No		
Tax Form	Schedule F	IRS Form 1040 Schedule 1 Line	18
Common Examples	Income received from dairy, poultry, fish farming or operating a plantation, ranch, range, orchard or grove		

Farming

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Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.		20 XX Attachment Sequence No. 01	
Name(s) shown on Form 1040			Your social security number		
Additional Income	1-9b	Reserved		1-9b	
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	12	Business income or (loss). Attach Schedule C or C-EZ		12	
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ <input type="checkbox"/>		13	
	14	Other gains or (losses). Attach Form 4797		14	
	15a	Reserved		15b	
	16a	Reserved		16b	
	17	Reserved		17	
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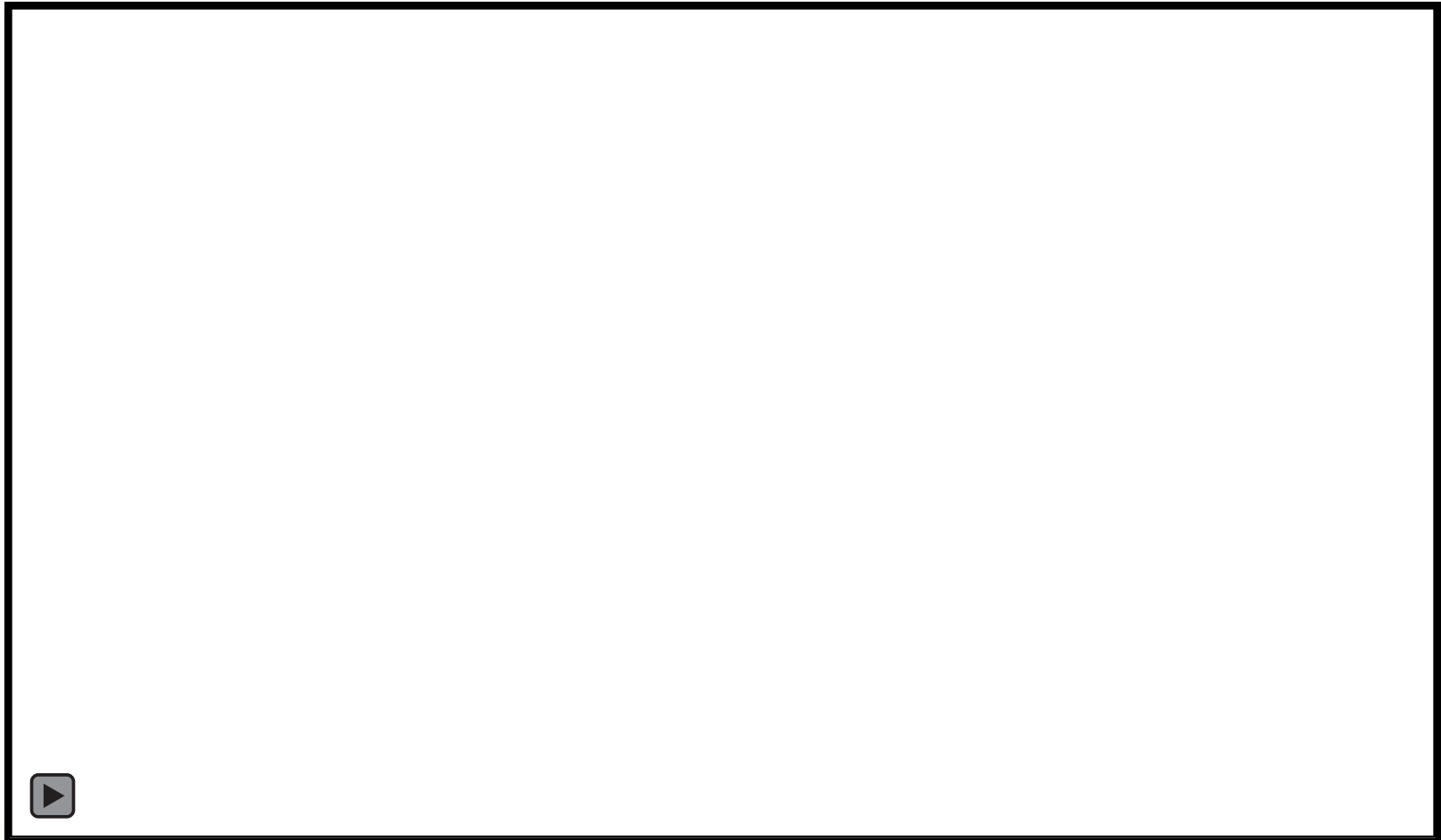
Schedule 1 (Form 1040) 2018

Income Enhancements

Income Enhancements

- Individuals are able to enter income as a loss. Negative amounts display in red for the following income types:
 - Rental, Self-Employment, Capital Gains, Farming and Other Taxable Income.
- Negative income calculated on the Calculators carries over to the income details page.
- Negative income passes to Eligibility Service (ES) as a negative amount.
- When an error occurs on the income or deduction page the field opens for the individual to make a correction.

Negative Income Video



Deductions

Deductions

Deductions are adjustments the IRS allows when calculating an individual's adjusted gross income.

These deductions are also allowed, following the same IRS rules and limits, when determining eligibility for MAGI-based Apple Health programs.

Some deductions have yearly limits and some deductions are variable. Deductions are annualized through an individual's certification period.

See [WAC 182-509-0300](#)

Deduction Changes

Certain deductions have been capped to match IRS standards.

Back in January, the School Tuition and Fees deduction no longer reduced countable income.

The following deductions are capped:

- Educator expenses \$250/year for individual and \$500/year for household
- Student loan interest \$2500/year or \$208.33/month
- Health Savings Account and pre-tax retirement are capped at an amount based on age

Deductions

Adjustments to Income				
23	Educator expenses	23		
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	24		
25	Health savings account deduction. Attach Form 8889	25		
26	Moving expenses for members of the Armed Forces. Attach Form 3903	26		
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30	Penalty on early withdrawal of savings	30		
31a	Alimony paid b Recipient's SSN ▶ <input type="text"/>	31a		
32	IRA deduction	32		
33	Student loan interest deduction	33		
34	Reserved	34		
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36	Add lines 23 through 35			36

Student Loan Interest

<p>Definition</p>	<p>Deduction for interest paid on student loans. Loans must have been used for qualifying educational expenses while attending an educational institution. Principal payments are not deductible.</p> <p>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).</p>		
<p>Max Amount</p>	<p>\$2500/year \$208.33/month</p>	<p>IRS Form 1040 Schedule 1 Line</p>	<p>33</p>
<p>Other Document Types</p>	<p>IRS Form 1098-E Statement from the lender showing interest amount paid</p>		

Armed Forces Moving Expenses

Definition	Deductions for members of the Armed Forces on active duty and due to a permanent military order move.		
Max Amount	Variable	IRS Form 1040 Schedule 1 Line	26
Other Document Types	Receipts of moving expenses since January of the current year; statement of previous address; verification of current employment		

Spousal Support / Alimony

Definition	Deduction for court ordered spousal support/alimony with a court order date prior to 1/1/2019. Does not include voluntary alimony payments or child support payments.		
Max Amount	Variable	IRS Form 1040 Schedule 1 Line	31a
Other Document Types	Court ordered spousal support/alimony with a court order date prior to 01/01/2019 that shows the obligation amount.		

Health Savings Account

Definition	Deductions for contributions made to a pre-tax or tax deductible health savings account designated for medical related expenses. Spouses can have family accounts or individual accounts for themselves.		
Max Amount	<p>Individual \$3500/year or \$291.66/month</p> <p>Family \$7000/year or \$583.33/month</p> <p>Add an additional \$1,000/year contribution if the individual is age 55 or older</p>	IRS Form 1040 Schedule 1 Line	25
Verification Types	<p>Pre-tax: monthly amounts listed on wage stubs</p> <p>Tax deductible: IRS Tax Form 8889</p>		

Pre-Tax Retirement Account

Definition	Deduction for contributions made to a pre-tax retirement account. Excludes: Roth IRA and Simple IRA		
Max Amount	Age 49 and below \$6,000/year or \$500.00/month; Age 50 or older \$7,000/year or \$583.33/month	IRS Form 1040 Schedule 1 Line	32
Other Document Types	IRS Form W-2 Wage stubs IRS Tax Form 5498		

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 Form 1040 Schedule 1 Line	27
Other Document Types	Monthly or quarterly statement or receipt		

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 Form 1040 Schedule 1 Line	28

Self-Employment Health Insurance

Definition	Deduction for contributions made to self-employment health insurance plans		
Max Amount	Variable	IRS Form 1040 Schedule 1 Line	29

Educator Expenses

Definition	<p>Deduction for expenses 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)</p>		
Max Amount	\$250/year or \$20.83/month for each educator	IRS Form 1040 Schedule 1 Line	23
Other Document Types	Receipts showing amounts paid out of pocket for qualifying supplies		

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 Form 1040 Schedule 1 Line	30
Other Document Types	IRS Form 1099-INT Statement from financial institution		

Certain Claimable Business Expenses of U.S. Reservist, 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 Form 1040 Schedule 1 Line	24
Other Document Types	IRS Form 2106 or 2106-EZ Receipts showing allowable expenses		

Resources

Resources

MAGI Income Washington Administrative Codes

hca.wa.gov/free-or-low-cost-health-care/program-administration/income

HCA Training & Education

hca.wa.gov/free-or-low-cost-health-care/apple-health-medicaid-coverage/stakeholder-training-and-education

HCA Area Representatives

hca.wa.gov/assets/free-or-low-cost/area_representatives.pdf