

May 22, 2026

**GENERAL LETTER NO. 8-E-106**

ISSUED BY: Bureau of Medicaid Eligibility Policy  
Division of Community Access and Eligibility

SUBJECT: Employees' Manual, Title 8, Chapter E, **Medicaid Income**, Contents 1-4, 1 and 2, 4, 6, 7, 11, 14 and 15, 43, 50-52, 68, 76, 80, revised.

**Summary**

This chapter is revised to

- Correct the spelling of non-MAGI throughout the chapter
- Correct typo for poverty level of individual under family size (\$1,791 to \$1,761)
- Updated the child support collection fee
- Removed reference to ABC system where needed

**Effective Date**

October 15, 2025.

**Material Superseded**

Remove the following pages from Employees' Manual, Title 8, Chapter E, and destroy them:

<b>Page</b>	<b>Date</b>
Contents 1-4	April 11, 2025
1 and 2, 4, 6, 7, 11, 14 and 15, 43, 50-52, 68, 76, 80	April 11, 2025

**Additional Information**

Refer questions about this general letter to your area eligibility determinations manager.

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## **Overview**

This chapter contains income policy information for both non-MAGI-related and MAGI-related Medicaid coverage groups. General income policies regarding verification of income and income limits for non-MAGI follow this overview.

Next, you will find the income policies for the non-MAGI-related coverage groups. This section begins with an explanation of projecting income, joint ownership, and deeming.

The following section gives instructions on how to treat each type of income for non-MAGI-related coverage groups, alphabetized by types. In-kind income, self-employment income, and veteran's affairs payments are described in separate sections because they are longer and more detailed. The last non-MAGI-related section covers deductions.

The balance of the chapter contains the income policies for the MAGI-related coverage groups. This part begins with a section explaining the income limits and what income is considered. It also explains MAGI-related self-attested income, income exclusions, income verification, and budgeting procedures.

### **Verification of Income**

Legal reference: 441 IAC 76 (Rules in Process)

For non-MAGI-related Medicaid, any countable income received during the period of time for which income is being considered needs verified. See [Projecting Future Income](#).

The client must provide requested verification. A client who provides a signed release to a specific individual or organization for specific information has met the requirement for supplying requested information or verification. The general release does not meet this requirement unless the client asks for help.

Verify all earned and unearned income. Require verification of income when it begins, changes, ends, is questionable, or when otherwise specifically required. A self-employed person must keep any records necessary to establish eligibility.

For MAGI-related Medicaid, refer to [Income Verification](#) under Income Policies for MAGI-Related Coverage Groups, later in this chapter.

### **Non-MAGI-Related Income Limits**

Legal reference: 42 CFR 435, 20 CFR 416 Subpart D; 441 IAC 75 (Rules in Process)

The monthly countable income limits based on SSI are:

<b>Single Person</b>	<b>Couple</b>	<b>300% of SSI Maximum Benefit</b>
\$994	\$1,491	\$2,982

Current poverty levels used for Medicaid coverage groups are:

<b>Family Size</b>	<b>100%</b>	<b>120%</b>	<b>135%</b>	<b>200%</b>
Individual	\$1,305	\$1,565	\$1,761	\$2,609
Couple	\$1,763	\$2,115	\$2,380	\$3,525

These amounts apply to coverage groups as follows:

- For qualified Medicare beneficiaries (QMB), the income limit is 100% of the poverty level.
- For specified low-income Medicare beneficiaries (SLMB), the income range is over 100% of the poverty level but less than 120% of the poverty level.
- For expanded specified low-income Medicare beneficiaries (E-SLMB), the income range is 120% of the poverty level but less than 135% of the poverty level.
- For qualified disabled and working people (QDWP), the income limit is 200% of the poverty level.

For Medicaid for Employed People with Disabilities (MEPD), net income for the family size is compared to 250% of poverty. (See [8-F, Medicaid for Employed People With Disabilities: Family Income Less Than 250% of Federal Poverty Level](#) for extended listing of 250% levels and family size. See [8-C, Household Size](#) for additional information about family size under MEPD.)

The Medically Needy coverage group does not have an income limit, although the applicant may have to meet a spenddown before eligibility exists. See [8-J](#).

See [Types of Non-MAGI-Related Income](#) for a list of various types of income and information on whether the income is earned, unearned, counted, or not considered as income for non-MAGI-related coverage groups.

### **What Is Not Considered Income**

Legal reference: 20 CFR 416.1102, 20 CFR 416.1103, 20 CFR 416.1123; P. L. 103-60

Some types of payments do not meet the definition of income and are not considered income. Items that do not meet the definition of income include:

- Income benefit payments made in error.
- Employer's benefits.
- Tax refunds.
- Third-party payments other than those for food or shelter.
- Veterans \$90 pension exclusion for certain residents of medical institutions. See [Pension Payments](#).
- Veterans aid and attendance and housebound allowance.
- Veterans benefits attributable to unusual medical expenses, except as noted under [Payment Adjustment for Unusual Medical Expenses](#).

Each of these items, as well as other types of payments that are not considered income, are described under [Types of Non-MAGI-Related Income](#), arranged alphabetically.

### **Projecting Future Income**

Legal reference: 20 CFR 416.1102, 20 CFR 416.1103, 20 CFR 416.1123; 42 CFR 435.725(e)(2)

Except when determining eligibility for the retroactive period, as defined in [8-A, Definitions](#), consider the income received in the 30 days before the application or review month to project future income when that income is an accurate indicator of future income.

If income fluctuates to the extent that a 30-day period alone cannot provide an accurate indicator, use an average over a longer past period if it will provide a more accurate indication of future income.

1. Mr. and Mrs. P jointly own a CD. One-half of the interest is income to each spouse.
2. Mr. and Mrs. W jointly own a farm. One-half of the earnings is income to each spouse.

### **Deeming Non-MAGI-Related Income**

Legal reference: 20 CFR 416.1160, 20 CFR 416.1163, 20 CFR 416.1202, 441 IAC 75 (Rules in Process)

Deeming of income is the determination of a specific portion of an ineligible parent's or ineligible spouse's income used to calculate the benefits of the eligible spouse or child. Determine deemed income for non-MAGI-related Medicaid and State Supplementary Assistance coverage groups according to SSI policies except for the following coverage groups:

- Medically Needy. See [8-J, Households with Ineligible Spouse or Children](#).
- In-home health-related care. See [6-B, Eligibility for Children](#).
- Dependent person. See [6-B, Ineligible Spouse](#).
- Medicaid for employed people with disabilities (MEPD). See [8-F, Family Income Less Than 250% of Federal Poverty Level](#).

When determining eligibility, apply deeming policies to the income of an ineligible spouse or parent if either:

- An eligible person was living for any part of a month in the same household with an ineligible spouse, or
- The eligible person was a child living in the same household with a parent (or the spouse of a parent).

For all coverage groups except Medically Needy, do not apply the deeming procedure if the applicant's income alone, after appropriate exclusions and deductions, is over income limits. Allow the ineligible parent to deem income to an ineligible child in the household until the ineligible child reaches age 18 (or 21, if the child is a student). However, do not allow deeming to a child receiving FIP.

When determining the income of the ineligible spouse, parent, spouse of a parent, or ineligible children, do not include:

- Any excluded income.
- FIP payments or Veteran Affairs payments based on need.
- Any income that was counted in calculating the amounts of those payments.

- Court-ordered support or alimony payments. Deduct support payments from the income of the ineligible spouse or parent before determining the amount of income deemed. Deduct support payments first from unearned income. Any balance remaining then reduces gross earned income.

For income not based on need, allow the \$20 general income deduction and the \$65 plus one-half deduction per household. For example, apply the \$20 general income deduction to veteran's compensation income, but not to a veteran's pension that is based on need.

The following sections explain:

- [Deeming from an ineligible spouse.](#)
- [Deeming from an ineligible parent to an eligible child.](#)

### **Deeming from an Ineligible Spouse**

Legal reference: 20 CFR 416.1160, 20 CFR 416.1163

If the applicant's income is within program guidelines and an ineligible spouse lives in the same household, also consider the ineligible spouse's income to determine eligibility through the deeming process. An ineligible spouse is a spouse who is not eligible for SSI or non-MAGI-related Medicaid, or State Supplementary Assistance.

When deeming income from an ineligible spouse:

1. Verify the ineligible spouse's unearned income. Subtract from the ineligible spouse's unearned income an allocation for each ineligible child. The allocation is \$497 (the difference between the payment standard for a couple and the payment standard for one person), minus the child's income.
2. Verify the ineligible spouse's earned income. Subtract from the ineligible spouse's earned income any remaining balance of the ineligible child's allocation not subtracted from the ineligible spouse's unearned income.
3. Add the remaining unearned income and the remaining earned income of the ineligible spouse.

If the total of the ineligible spouse's income is equal to or less than \$497, there is no income available to be deemed to the applicant. Process as a one-person household.

If the ineligible spouse's total remaining income is over \$497, continue as follows.

Client S, age 17, was living with her parents and two brothers before entering an RCF. She has no income of her own. Her father has earnings of \$1,270 per month. Her brothers and mother have no income. The computation is as follows:

\$1,270.00	Father's earned income
- 994.00	Allocation for ineligible children (2 x 497)
\$ 276.00	
- 20.00	General income deduction
\$ 256.00	
- 65.00	Work expense deduction
\$ 191.00	
- 95.50	1/2 remainder
\$ 95.50	
- 1,491.00	Parental exclusion
\$ .00	Deemed income to Client S

Countable income of zero is less than the SSI payment standard for one person. As Client S has no income of her own, income eligibility exists for the retroactive period if she meets a category of eligibility for the retroactive period, as defined in [8-A, Definitions](#).

### **Types of Non-MAGI-Related Income**

Income is either countable or excluded from consideration. "Countable income," which is the gross income expected to be received for the month under consideration, is either earned or unearned.

The following section is an alphabetical listing of various types of payments that explains how these payments are used in determining eligibility for non-MAGI-related coverage groups.

#### **AIDS/HIV Settlement Payments**

Exempt settlement payments from any fund established pursuant to the class action settlement of Susan Walker v. Bayer Corporation, et. al., 96 C5024(N.D. Ill.) as income.

Some settlement payments were made in lieu of the class action settlement. These payments are also exempt as income. These settlements were made on or before December 31, 1997. These funds must be kept in a separate, identifiable account.

Benefit and Other  
Payments Made in  
Error (Cont.)

An SSI eligible person enters a nursing home and informs the Social Security Administration. Social Security continues to make SSI payments, even though the person should not be eligible for SSI after entry to the nursing home. The client returns the checks when they are received. The erroneous SSI payments are not considered income.

**Blood Plasma**  
20 CFR 416.1102

Count income from selling blood plasma as unearned income.

**Census Income**  
20 CFR 416.1110

Count as earned income any wages from either temporary or permanent census employment, including wages received while in training. See [Wages](#) for more information.

**Child Student's  
Earnings**  
20 CFR  
416.1112(c)(3), 20  
CFR 416.1861

Exclude up to \$2,410 per month of a student child's earnings, but not more than \$9,730 per calendar year. When the income exceeds \$2,410 per month or \$9,730 per calendar year, count the excess, subject to the work expense deduction of \$65 + 1/2.

See [\\$65 Plus One-Half Deduction](#) for coverage groups that do not receive the work expense deduction.

To qualify, the student must meet all of the following criteria:

- Under age 22.
- Not married.
- Not the head of the household.
- Regularly attending a school, college, or university or taking a course of technical training designed to prepare the student for employment. "Regularly attending school" means:
  - 12 hours a week for grades 7-12.
  - 8 hours a week for college or university studies.
  - 12 hours a week for technical training courses.
  - 15 hours a week for technical training courses with shop practice.

Child Student's  
Earnings (Cont.)

A child can attend school less than the amount of time indicated above if reasons beyond the child's control justify the child's reduced credit load or attendance.

Client M, a disabled child, is forced to limit vocational school attendance to one day a week due to the unavailability of transportation. Although he is enrolled for attendance of less than 12 hours per week, Client M qualifies as regularly attending school because the lack of transportation is a circumstance beyond his control.

Consider that a child who is a homebound student because of a disability is regularly attending school if the child is studying a course or courses given by a school (grades 7-12), college, university, or government agency at home, and a home visitor or tutor directs the studies.

Consider a child to be attending school during periods when school is not in session (such as summer vacation) when the child was regularly attending school before the break and intends on regularly attending when classes resume.

Count payments from Neighborhood Youth Corps, work-study, and similar programs as earned income.

Note: Refer to NJA0094, Income for the process to enter this type of income in ELIAS.

**Child Support**  
20 CFR  
416.1124(c)(11)

The annual \$35 child support collection fee withheld by Child Support Services (CSS) is not considered income.

Exclude one-third of support payments for minor children. Count the remainder as unearned income. Count the full amount of child support payments for a child aged 18 or older.

The following are income to the child whether or not the child lives with the parent receiving the money or receives the money from the parent:

Social Security  
Payments (Cont.)

Mr. A is an applicant for Medicaid. His gross Social Security benefit is \$1,182.00. His Medicare premium is \$202.90, so Mr. A's net check is \$979.10.

If Mr. A is approved, the state will "buy in" and pay his Medicare premium. Once buy-in occurs, Mr. A's check will increase to \$1,182.00. ( $\$979.10 + \$202.90 = \$1,182.00$ ).

In determining Medicaid eligibility for Mr. A, the worker considers income of \$1,182.00, so that Mr. A's eligibility is determined based on the amount of income he will receive once buy-in occurs.

In determining client participation, Medically Needy spenddown, or an MEPD premium, the worker uses Mr. A's income of \$1,182.00 to calculate his benefits until after buy-in takes place.

**Social Services**

20 CFR 416.1102, 20  
CFR 416.1103, 20  
CFR 416.1123;  
P. L. 103-60

Social services are **not considered income**. They include services to assist handicapped or disadvantaged people to function in society to the level of a person without the handicap, e.g., vocational rehabilitation. The training allowance issued by the Department of the Blind is considered a social service and is not counted as income.

The following items are **not** social services:

- Income from a sheltered workshop (see [Sheltered Workshop Earnings](#)).
- Financial aid for education and training (see [Educational Assistance](#)).
- FIP, SSI, Veterans assistance, or general assistance payments (see [Assistance Payments](#)).

**Strike Pay**

20 CFR 416.1102

Count strike pay as earned income if a union member is involved in the strike and the duties involve strike activity. Count all other strike pay as unearned income.

### **Paying a Pro Rata Share**

Legal reference: 20 CFR 416.1132-416.1133

If the client pays a pro rata share of household operating expenses, consider the client to be living in his or her own home and not receiving in-kind support and maintenance from anyone else in the household.

The pro rata share of household operating expenses is the average monthly household operating expenses (based on a reasonable estimate, if exact figures are not available) divided by the number of people in the household, regardless of age.

The household operating expenses are the total monthly expenditures for rent, mortgage, property taxes, heating fuel, gas, electricity, water, sewage, and garbage collection service.

### **When to Apply the Value of One-Third Reduction (VTR) Rule**

Legal reference: 20 CFR 416.1131

Apply the “value of one-third reduction” (VTR) rule to in-kind support and maintenance received when a client lives the whole month in another person’s household and others within the household pay for or provide them with all their meals. If the client is living in the client’s own household, use the “presumed maximum value rule.”

Under the VTR rule, the value of in-kind support and maintenance is one-third of the SSI benefit rate (currently \$331.33). If a married couple lives in another person’s household, use one-third of the SSI benefit rate for a couple (\$497.00).

The VTR amount always applies in full. Count this amount in the same way as if it were unearned income received in cash. Do not apply the \$20 general income exclusion to in-kind support and maintenance valued according to the VTR rule.

An SSI recipient who receives in-kind support and maintenance valued according to the VTR method will have that income reflected on the SDX as income type “J.”

1. Mr. G, a Medicaid member, lives with his friend, Mr. F, in a home owned by Mr. F. Mr. G has Social Security income of \$500 but does not contribute any of his income towards the household's operating expenses. Mr. F provides Mr. G with all of his meals.

Mr. G is not paying a pro rata share of the monthly household operating expenses, so he is considered to be living in the home of another. Since Mr. F provides all Mr. G's meals, he is receiving ISM income that should be valued according to the VTR method. The IM worker determines that Mr. G has countable in-kind support and maintenance income of \$331.33 (one-third of the SSI benefit rate).

2. Mr. S, a Medicaid member, lives with his adult son in a home owned by his son. Mr. S's pro rata share of the household's operating expenses is \$200. However, Mr. S contributes only \$100 per month towards the household's operating expenses.

Although Mr. S is contributing towards the household expenses, he is not paying a pro rata share. Therefore, he is considered to be living in another person's household. His son also provides Mr. S's meals.

Mr. S is receiving the in-kind support and maintenance that is valued according to the VTR method. This means that he has countable in-kind support and maintenance income of \$331.33.

3. Same as Example 2, except that Mr. S's son **does not** provide his meals. Because his son is not providing his meals, the VTR method does not apply. Mr. S's in-kind support and maintenance is valued according to the PMV method.

### **When to Apply the Presumed Maximum Value Rule (PMV)**

Legal reference: 20 CFR 416.1140

Whenever a person receives in-kind support and maintenance that must be counted, but the one-third-reduction rule does not apply, use the presumed maximum value (PMV) rule. Under the PMV method, the maximum in-kind support and maintenance amount is presumed to be \$351.33 (one-third of the SSI benefit rate plus \$20).

Situations in which the PMV method is used include:

- A client living in another person's household, but the household does not pay for or provide all their meals.
- A client living in the client's own household and receiving in-kind support and maintenance.

Give clients an opportunity to show that the actual market value of their support and maintenance is less than the presumed maximum value. The actual market value is the client's pro rata share of household expenses minus the client's actual contribution. If the client verifies that the actual market value is less than \$351.33, use the actual market value as the monthly income.

In-kind support and maintenance received by an SSI recipient that is valued according to the PMV rule is reflected under unearned income as income type "H."

1. Mr. G, a Medicaid member, lives with his friend, Mr. F. Mr. G has Social Security income of \$700 but does not contribute any of his income towards the household's operating expenses. Mr. F provides Mr. G with shelter, but Mr. G provides his own food. The household's expenses, other than food, total \$800.

Because Mr. F does not pay for or provide all of Mr. G's meals, the in-kind support and maintenance income received is valued according to the PMV method and not the VTR method. (Mr. G's pro rata share of the household's operating expenses (not including food) is \$400.)

The difference between Mr. G's pro rata share (\$400) and his contribution (\$0) is greater than the presumed maximum value amount of \$351.33. The IM worker uses countable in-kind support and maintenance income of \$351.33 (one-third of the SSI benefit rate + \$20) to determine Mr. G's Medicaid eligibility.

- **Rentals or leases.** Deduct the actual monthly rental or lease charge.

### **Attendant Care Services**

Legal reference: 20 CFR 416.976(c)(1)

Deduct payments made for attendant care services if those services are needed in the work setting or to help the impaired person travel to and from work. “Attendant care services” are types of physical assistance that help an impaired person meet essential personal needs at home or at work.

Deduct the payments made for attendant care services in the home only when the services relate to preparations for going to or returning from work. Examples include services relating to bathing, dressing, cooking, eating, administering medications, or arranging medical devices right before or after the impaired person’s workday. The services generally require no more than one or two hours each morning or evening.

Do **not** deduct payments made to family members for attendant care services unless:

- The client can show that the family member has suffered economic loss by reducing or terminating employment to provide the care, and
- The payment to the family member is made in cash.

A family member is anyone related by blood, marriage, or adoption, whether or not the person lives with the impaired person.

An attendant assists a client in getting ready and traveling to work for approximately one hour per day and assists the client with laundry, housecleaning, and other non-work-related services for approximately three hours per day. The worker deducts only one-fourth of the total payment to the attendant as an impairment-related work expense.

Coverage Group	Legal Reference	Household Size (persons)	Income Limit (per month)
Medicaid for Independent Young Adults	441 IAC 75.3(13); Title XIX of the Social Security Act, Section 1902(a)(10)(A)(ii)(VII)	254% of the federal poverty level for the household	
Iowa Health and Wellness Plan (IHAWP)	441 IAC 74.4	133% of the federal poverty level for the household size, as of the date of a decision on initial or ongoing eligibility	

**Self-Attested Income**

Legal reference: 42 CFR 435.603(h)(3), 42 CFR 435.945

Enter all self-attested income, earned and unearned, using the amount and frequency as reported by the client, unless otherwise directed.

Deductions that are not allowed:

Add back the following income to determine countable income:

- Non-taxable Social Security benefits
- Tax-exempt interest
- Foreign earned income & housing expenses for Americans living abroad

View the Income Verification Detail page to see if Title II income verification results were returned from EDS. The worker will need to enter the amount of Title II income returned from EDS, if different then the self-attested amount. The Title II income from EDS is considered verified. Title II income must be entered on a separate income record for each person receiving it. Do not combine multiple individual's Title II income amounts under one person. If one person receives more than one type of Title II income, they should be combined and entered on one income record.

For long term disability, the income that is equal to the percentage of the premium paid by the employer is countable for MAGI and non-MAGI. The income equal to the percentage of the premium paid by the employee is not countable for MAGI but will be counted for non-MAGI.

### **Gross Countable Income**

Gross countable income under MAGI includes income types that are considered as gross income for federal tax purposes except as specified under [Income Types Excluded from Gross Income](#) below. Gross income for the purpose of Medicaid eligibility under MAGI includes but is not limited to the following income types:

- Earned income, including salaries, wages, tips and other compensation for services, including fees, bonuses, commissions, fringe benefits such as sick pay, vacation pay, severance pay, and similar items. Also includes AmeriCorps income used for living expenses\*, census earnings, child student earnings\*, foreign earned income and housing expenses of a U.S. citizen or resident who lives abroad even though these types of income may not be taxable.
- Gross profit derived from a self-employment trade or business;
- Capital gains derived from dealings in assets or property;
- Interest (taxable and non-taxable);
- Rental income\*, including room and board;
- Royalties, residuals;
- Taxable Dividends;
- Alimony\* and separate maintenance payments;
- Taxable annuities, pensions\*, IRA distributions or withdrawals;
- Income from life insurance and endowment contracts;
- Retirement – Military, IPERS;
- Income from discharge of indebtedness;
- Distributive share of partnership or S-corporation gross income;
- Income in respect of a deceased person;
- Income from an interest in an estate or trust;
- Deemed sponsor income;
- Social security benefits (taxable and non-taxable);
- Disability payments, including government, private, temporary and permanent payments;
- Unemployment Insurance Benefits (UIB);
- Gambling winnings;