

**INTERDEPARTMENTAL MEMORANDUM**  
**MAD IPP: 15-03**  
**DATE: July 1, 2015**

**TO: MAD AND ISD STAFF**

**FROM: *NLS* NANCY SMITH-LESLIE, DIRECTOR, MEDICAL ASSISTANCE DIVISION**  
***JML* MARILYN MARTINEZ, DIRECTOR, INCOME SUPPORT DIVISION**

**BY: *RB* ROY BURT, BUREAU CHIEF, ELIGIBILITY BUREAU**

**RE: Exclusion of Children and Tax Dependents Income (e.g. Social Security Income) in MAGI Calculation**

Medicaid policy found at 8.291.430.15(B)(4) NMAC states that “all social security benefits under Title II will be counted in determining Modified Adjusted Gross Income (MAGI).” The current NMAC policy, as stated, is incorrect and the Medical Assistance Division is promulgating a rule change with alternative language.

Internal Revenue Service (IRS) regulations require the social security income (i.e., Retirement, Survivors and Disability Insurance and Railroad Retirement benefits) of a taxpayer to be included in his or her individual MAGI. However, the MAGI of an applicant’s children and tax dependents is only included in the household’s income if he or she is required to file a tax return per CFR 435.603(d)(2)(i). As a result, the social security income of a dependent cannot be included in the household’s income unless the dependent is required to file a tax return. Note that even if a dependent files a tax return, the dependent’s income is not included in the household’s income calculation unless the dependent is required to file a tax return per 42 CFR 435.603(d)(2)(ii).

IRS Publication 915, found at <http://www.irs.gov/pub/irs-pdf/p915.pdf>, clarifies when an individual with social security benefits is required to file a return. Publication 915 states, “If the only income received was your social security or railroad retirement benefits, your benefits are generally not taxable and you probably do not have to file a return.” Thus, a dependent’s social security income will almost never be taxable because social security income is not taxable unless half of the social security income plus other income exceeds the base amounts indicated in IRS Publication 915.

Effective immediately, the social security benefits of applicant’s dependents are excluded in the household MAGI income calculation unless the dependent is required to file a tax return. As described above, the social security income of dependents will almost never be taxable. ASPEN currently includes the dependent’s social security income in the household MAGI calculation. Until an ASPEN change request has been implemented, please use the following workaround to exclude the social security benefits of an applicant’s dependents:

**ASPEN Instructions:**

**1. MAGI only case**

- a. Indicate the income is not accessible on the unearned income details screen
- b. Run EDBC and certify the case

**2. MAGI case with different program (e.g. Cash, SNAP)**

- a. Indicate the income is not accessible on unearned income details screen
- b. Run EDBC and certify **ONLY** the Medicaid EDG
- c. Indicate the income is accessible on unearned income details screen
- d. Run EDBC and certify **SNAP/TANF** EDGs
- e. Indicate the income is not accessible on unearned income details screen, so that MAGI would not be affected in Mass Update

Please address questions regarding this IPP to Lori Pena at (505) 827-1336 or [lori.pena@state.nm.us](mailto:lori.pena@state.nm.us).