



Date: September 26, 2018

DMS Operations Memo 18-35

To: Income Maintenance Supervisors
Income Maintenance Lead Workers
Income Maintenance Staff
FSET Agencies
W-2 Agencies
Workforce Development Boards
Job Center Leads and Managers
Child Care Eligibility and Authorization
Supervisors and Workers

Affected Programs:	
<input checked="" type="checkbox"/> BadgerCare Plus	<input type="checkbox"/> Caretaker Supplement
<input type="checkbox"/> FoodShare	<input type="checkbox"/> FoodShare Employment and Training
<input type="checkbox"/> Medicaid	
<input type="checkbox"/> SeniorCare	

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Bureau of Enrollment Policy and Systems
Division of Medicaid Services

Update to Earned Income Threshold for Determining Whether a Child or Tax Dependent Is Expected to be Required to File a Tax Return

CROSS REFERENCE

- BadgerCare Plus Eligibility Handbook, [Section 2.8 MAGI Income Counting Rules](#)
- [Operations Memo 17-57](#)

EFFECTIVE DATE

October 1, 2018

PURPOSE

This operations memo announces an update to the 2018 earned income threshold used under Modified Adjusted Gross Income (MAGI) budgeting rules when determining whether a child or tax dependent is expected to be required to file a tax return.

BACKGROUND

As described in [BadgerCare Plus Eligibility Handbook, Section 2.8 MAGI Income Counting Rules](#), the countable income of all eligible or counted members within a BadgerCare Plus assistance group (AG) is used in the eligibility determination for that AG with one exception:

[I]f a group member is a child or tax dependent of a counted or eligible member within the same assistance group, his or her income is only counted if he or she is “expected to be required” to

file a tax return for the current year. If the tax dependent or child chooses to file a tax return when he or she is not required to, his or her income will not be counted. Tax dependents' and children's income is only counted when they are "expected to be required" to file a tax return.

Children and tax dependents are only required to file a tax return if they have more taxable income than the filing thresholds set by the Internal Revenue Service each year.

Recently, the Centers for Medicare and Medicaid Services (CMS) informed state Medicaid agencies that the Individual Tax Reform and Alternative Minimum Tax Act (Public Law 115-97) changed a section of the tax code that affects who is required to file taxes. Beginning with tax year 2018, a person must make \$12,000 in gross taxable earned income a year before they are required to file taxes. CMS requires states to use the new threshold when determining Medicaid and CHIP eligibility under Modified Adjusted Gross Income (MAGI) rules.

The tax reform bill did not change the unearned income threshold, which remains at \$1,050.

POLICY

The following thresholds for being expected to file a return for the 2018 tax year are effective October 1, 2018:

- \$1,050 in taxable unearned income (no change from 2017–2018)
- \$12,000 in taxable earned income

If the child or tax dependent of another member in the same AG expects to have less annual taxable earned income for 2018 than the amount indicated above, his or her income is not included in the eligibility determination for the AG.

This standard should be applied to all BadgerCare Plus applications, renewals, and changes submitted on or after October 1, 2018. It should also be applied to all BadgerCare Plus applications, renewals, and changes received before October 1, 2018, but not yet processed. Whenever a worker is determining or redetermining eligibility on or after October 1, the new threshold should be applied beginning with the October 2018 benefit month.

At this time, income maintenance agencies are not required to make any changes or take any corrective actions with regards to health care benefits and eligibility that were determined earlier in 2018 based on the previous \$6,500 threshold. DHS will provide guidance to agencies after receiving direction from CMS.

CARES

CARES Worker Web (CWW), ACCESS, and the Verification Checklist will be updated on October 1, 2018, to reflect the new threshold. The paper BadgerCare Plus application will be updated at a future date.

The Tax Filing Details page in CWW will reflect the new threshold for begin months of October 2018 and later. If the answer to the question, "Will the child/tax dependent earn over \$12,000 in earnings or \$1,050 in unearned income in the next tax year?" on the Tax Filing Details page is "Yes," CARES will count the income of that child or tax dependent.

For applications, renewals, and changes received before October 1, 2018, but not yet processed, the worker must review the application or renewal before confirming eligibility. If the household has indicated that one or more tax dependents or children under age 19 would have taxable earnings greater than the previous threshold of \$6,500, the worker must contact the household to determine whether those tax dependents/children will also have income exceeding \$12,000 in 2018. Contact may include reaching the household by phone and/or sending a Verification Checklist asking the household to answer the threshold question with the new amount. The worker must document that contact and indicate the appropriate response on the Tax Filing Details page using an October 2018 effective date.

CONTACTS

BEPS CARES Information and Problem Resolution Center

DHS/DMS/BEPS/JL