

**TO:** Local District Commissioners, Medicaid Directors

**FROM:** Judith Arnold, Director  
Division of Eligibility and Marketplace Integration

**SUBJECT:** Update on Self-Employment Policy for MAGI-like Budgeting

**EFFECTIVE DATE:** Immediately

**CONTACT PERSON:** Local District Support Unit  
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The purpose of this General Information System (GIS) message is to clarify the Department's policy regarding calculating self-employment income for MAGI-like budgeting.

The Modified Adjusted Gross Income (MAGI) budget methodology uses income tax rules; therefore, all deductions allowed by the Internal Revenue Service (IRS) are now allowed when calculating self-employment income for individuals in a MAGI category. Previously depreciation, depletion, amortization and 179 expenses were added back into self-employment income for ADC-related and single individuals and childless couples. These deductions will now be allowed for MAGI individuals.

Additionally, if a business has a loss, the negative income can offset other countable taxable income. If someone is self-employed, and the only income source for the household is the self-employment that nets a loss, then the income would be set to zero and no entry in MBL would be necessary. However, if someone has self-employment income that nets a loss, and there is other taxable income in the household, the negative income is used to reduce the individual's other taxable income source(s). A loss cannot offset countable, non-taxable income such as non-taxable social security benefits.

When an individual is self-employed, the annual income tax return is still the primary document used to calculate the monthly income. The self-employment worksheet was revised and issued in 13 OHIP/ADM-04. This worksheet should only be used under the following circumstances:

- when the applicant/recipient (A/R) indicates she/he does not file a tax return;
- the business is new and a tax return has not been filed; or
- the A/R indicates that last year's earnings are not representative of the current year's earnings.

The completed worksheet(s) would be appropriate documentation in these circumstances. As many worksheets as necessary may be used, from one month up to twelve months. Districts should average the monthly income provided for a projected monthly income for prospective eligibility.

If the business is new and has been in operation for less than one year, then the request cannot exceed the number of months the business has been in operation.

Worksheets A and C used to calculate self-employment income will not be used for MAGI individuals since depreciation, depletion, amortization and 179 expenses will not be added back in for these individuals.

These changes in this GIS message apply to MAGI individuals only and do not affect SSI-related budgeting or ADC-related budgeting when used to calculate a spenddown. Worksheets A and C and the "Financial Status Form (Farm or Business, DOH-4469) are still appropriate to use for ADC-related budgeting for spenddown calculations.

Please direct any questions to your local district liaison.