

GIS 17 MA/11

TO: Local District Commissioners, Medicaid Directors

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

SUBJECT: Treatment of Federal Income Tax Refunds and Advanced Payments

EFFECTIVE DATE: Immediately

CONTACT PERSON: Local District Support Unit
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The purpose of this General Information System (GIS) message is to inform local departments of social services that the disregard of federal income tax refunds and earned income tax credit payments (advance payments) for all Medicaid categories of assistance was made permanent under the provisions of the American Taxpayer Relief Act of 2012. Previously, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 provided for the disregard of federal income tax refunds and advance payments received after December 31, 2009, but before January 1, 2013. Districts were advised of this requirement in GIS 11 MA/004, "Treatment of Federal Income Tax Refunds Pursuant to the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010." The American Taxpayer Relief Act of 2012 extended the disregard to federal income tax and advance payments received after December 31, 2012.

For purposes of determining Medicaid eligibility for all categories of assistance, and for post-eligibility treatment of income for institutionalized individuals, these funds/payments are not countable income. Federal income tax refunds and advance payments are also exempt as an available resource for 12 months following the month in which the payment was received. If the payment, or any portion is retained beyond this exemption period, the payment or remaining portion becomes a countable resource for individuals eligible under the SSI-related category.

Since federal income tax refunds and advance payments are exempt as an available resource for 12 months following the month of receipt, if the funds are transferred or placed into a trust during the exemption period, a transfer penalty cannot be imposed. For institutionalized individuals who are eligible under the MAGI category of assistance, no transfer penalty is imposed if income tax refunds and advance payments are transferred or placed into a trust during the exemption period. However, if any of these funds are transferred to another individual or to a trust after the end of the exemption period, the amount transferred is subject to the transfer of assets provisions for all categories of assistance.