The purpose of this General Information System (GIS) message is to provide information on changes to the taxability of certain income sources that impact Medicaid eligibility determinations of countable income for MAGI-based eligibility groups.

**Alimony Received**

Alimony, as defined in Internal Revenue Code section 71, was considered taxable income to the recipient and, therefore, was counted as income in determining the MAGI-based eligibility of the recipient. Section 11051 of the Tax Cuts and Jobs Act (TCJA) of 2017 modified the alimony rules. Under the TCJA, alimony payments under a separation or divorce agreement finalized after December 31, 2018, are not included in the MAGI income of the recipient. Alimony payments paid under a separation or divorce agreement finalized on or before December 31, 2018, continue to be included in the MAGI based income of the recipient for the duration of the agreement, unless or until the agreement is modified.

**Alimony Paid**

Under the TCJA, alimony payments paid under a separation or divorce agreement finalized after December 31, 2018, are not deductible for the payer in determining the payer’s MAGI-based income. For alimony agreements finalized on or before December 31, 2018, alimony payments continue to be deductible in determining the payer’s MAGI-based income.

**Qualified Lottery and Gambling Winnings**

Under current MAGI rules, non-recurring income received as a lump sum is generally counted (if it is taxable) as income only in the month received. Section 53103 of the Bipartisan Budget Act (BBA) of 2018, amends the treatment of lump sum payments in the case of qualified lottery winnings and gambling winnings of $80,000 or greater, received on or after January 1, 2018. The change includes a requirement to count qualified lottery and gambling winnings in household income over multiple months and applies the income to only the individual receiving the winnings. The term “qualified lottery winnings” is defined as winnings from a sweepstakes, lottery, or pool that was conducted by a state agency or under the authority of state law, or winnings from a lottery operated by a multistate or multijurisdictional lottery association (multiple entities of government). Lump sum winnings from gambling include monetary winnings from: betting pools; wagers placed, including those placed through bookmakers; slot machines; roulette wheels;
dice tables; lotteries and numbers games. Pending the issuance of further guidance, local social services districts are instructed to contact their local district Medicaid liaison if they encounter a case where a MAGI applicant or recipient has received a lump sum lottery or gambling winning of $80,000 or more.

Attachment - “Non-Taxable Income Sources Excluded from Gross Income for MAGI Budgeting”

The attachment to this GIS "Non-Taxable Income Sources Excluded from Gross Income for MAGI Budgeting," was previously distributed as Attachment IV to 13 ADM-04 “Medicaid Application and Renewal Processing for Modified Adjusted Gross Income (MAGI) Eligibility Groups.” The attachment has been revised and renamed and is being re-issued with this GIS message. Sources of taxable income that had been erroneously included in the list of non-taxable income for MAGI have been removed from the attachment. The incomes removed include: net royalties; US census; and work study. Income sources that have been revised and renamed for clarity include:

- “German/Austrian Reparations Payments,” “Holocaust Victim restitution” and “Persecution Payments” are now consolidated into “Persecution Payments”;
- “Graduate Educational Grants or Scholarships,” “Undergraduate Educational Grants or Scholarships,” and “VA Undergraduate Education Grants - Educational” are now consolidated into “Scholarships and fellowship payments for tuition, fees and course required books and equipment. NOT room and board”; and
- “Federal Economic Opportunity Act (Title II)” was removed and replaced with the broader category of “Loans.”

Please direct any questions regarding this GIS message to your local district support liaison.