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| Health Care Finance and Administration | Section: Financial Eligibility |
| Policy Manual Number: 010.025          | Chapter: Expenses              |

## EXPENSES

**Legal Authority:** 42 CFR 435.603

### 1. Policy Statement

Individuals are allowed to deduct certain expenses from gross income when determining household income under the Modified Adjusted Gross Income (MAGI) methodology. The expenses allowed under the MAGI methodology correlate to the expenses or deductions permitted by the Internal Revenue Service (IRS) to determine an individual's adjusted gross income.

### 2. Expense Types

- a. Legally Obligated Alimony:** Alimony is a payment to or for a spouse or former spouse under a divorce or separation instrument. Alimony expenses do not include voluntary payments. The payment must be in cash, including checks and money orders, to be considered alimony. Alimony is an expense to the payer of the alimony and is allowed when alimony is paid during the month of application.

The following payments are not alimony: child support, noncash property settlements, and payments to keep up the payer's property.

- b. Student Loan Interest Paid:** The Student Loan Interest Paid expense refers to the amount of interest an individual pays out on a qualified student loan payment made during the month of application. Student loan interest includes both required and voluntary interest payments.

A qualified student loan is a loan that is taken out solely to pay qualified education expenses that are: for the individual, his or her spouse or a person who was a dependent when the individual took out the loan; paid or incurred within a reasonable period time before or after the loan was made; and for education provided during an academic period for an eligible student.

A qualified student loan is a loan that pays for the following items: tuition and fees; room and board; books, supplies and equipment; and other necessary expenses such as transportation.

- c. Other As Defined By Policy:** The Other As Defined By Policy expense refers the following expenses as defined by the IRS. The descriptions included in this section are general descriptions. Applicable expenses are those expenses for the month of application. If an individual reports one of these expenses, notify the Member Services Eligibility Policy Unit.

- **Educator expenses:** Eligible educators may deduct up to \$250, if spent during the month an application for benefits is filed, for ordinary and necessary expenses paid in connection with books, supplies, equipment (including computer equipment, software and services) and other materials used in the classroom. An eligible educator is a

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kindergarten through grade 12 teacher, instructor, counselor, principal or aide who works in a school for at least 900 hours during a school year.

- Certain business expenses of reservists, performing artists and fee-based government officials.
- Health savings account deductions: Contributions to a health savings account (HSA), other than employer contributions, are a deductible expense.
- Moving expenses: An individual may deduct moving expenses if the move date is close to the date of commencement of work, the new job location is at least 50 miles further from his or her old residence than the prior main job location, and moving expenses are incurred within a year of the date the individual reports to work.
- Deductible part of self-employment tax
- Self-employed health insurance deduction
- Penalty on early withdrawal of savings
- IRA deduction: In general, an individual can deduct the lesser of the contributions to his or her traditional IRA for the year; or the general limit. The general limit is the lesser of \$5,500 or 100% of his or her compensation.
- Tuition and fees: In general, tuition and fees for enrollment or attendance at an eligible postsecondary educational institution of up to \$4,000, if spent during the month an application for benefits is filed, can be deducted for a student who is either the applicant, the applicant's spouse or the applicant's dependent.
- Domestic production activities deduction: A percentage deduction provided to certain small companies for production activities that are conducted in the United States.