

Issue 65: INSIDER'S EDGE: Constructing the Household—Unmarried Parents & Separated Couples

Hey there, Insiders! Welcome back. This week we'll look at some questions sent in by readers about constructing households under the new modified adjusted gross income (MAGI) rules.

Back to Basics

Ok, Insiders, when it comes to married couples, there are two key points you should remember before we look at this week's questions:

- Married couples do **not** need to file taxes jointly in order to qualify for Medicaid benefits.
- However, married couples **must** file their taxes together in order to be eligible for advance premium tax credits (APTC) and cost-sharing reductions (CSR) to offset the cost of purchasing coverage through a qualified health plan (QHP). Even if the married couple did not file taxes in the past due to their income or other reasons, they must file taxes to be eligible for APTC/CSR.

Scenario 1: Unmarried Parents

Dear Marge,

On the [new Maryland Health Connection applications](#), Step 2 gives the applicant a snapshot of who to include and who to leave off on the application. For unmarried couples, it states, "only include your unmarried partner if they need health coverage".

STEP 2 Tell us about your family.

Who do you need to include on this application?
Tell us about all the family members who live with you. If you file taxes, we need to know about everyone on your tax return. (You don't need to file taxes to get health coverage).

<p>DO include:</p> <ul style="list-style-type: none">• Yourself• Your spouse• Your children under 21 who live with you• Your unmarried partner who needs health coverage• Anyone you include on your tax return, even if they don't live with you• Anyone else under 21 who you take care of and lives with you	<p>You DON'T have to include:</p> <ul style="list-style-type: none">• Your unmarried partner who doesn't need health coverage• Your unmarried partner's children• Your parents who live with you, but file their own tax return (if you're over 21)• Other adult relatives who file their own tax return
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The amount of assistance or type of program you qualify for depends on the number of people in your family and their incomes. This information helps us make sure everyone gets the best coverage they can.

Complete Step 2 for each person in your family. Start with yourself, then add other adults and children. If you have more than 2 people in your family, you'll need to make a copy of the pages and attach them. You don't need to provide immigration status or a Social Security Number (SSN) for family members who don't need health coverage. We'll keep all the information you provide private and secure as required by law. We'll use personal information only to check if you're eligible for health coverage.

How should a family where only one parent needs insurance complete the application? For example, Mom, Dad, and Child live together. Mom and Dad are not married and file their taxes separately. Mom claims the Child as a tax dependent. Dad has no dependents. Who will be in the household given these facts?

--Unmarried with Children, Now What?

Great question! Let's take a closer look!

Qualified Health Plan (QHP) Household

As noted above, married couples must file a joint tax return in order to qualify for APTCs. Unmarried couples, *even those with children*, may **not** file a joint tax return, and therefore cannot qualify for APTCs as a family unit. This means that for purposes of qualifying for APTC/CSR, the family members will be analyzed according to their tax households. So what are the households in this situation?

- Mom: Household of 2—Mom + Child
- Dad: Household of 1—Dad
- Child: Household of 2—Mom + Child

Medicaid Household

The household looks a bit different under the Medicaid rules. Medicaid has carved out a special rule that counts the household and income of unmarried parents when determining the eligibility of a minor child. The Medicaid household for a minor child is determined according to the special rules for non-filers and non-dependents (a.k.a. the relationship-based rules), and not the general rule for dependents, if the following conditions are met:

- 1) The child must be claimed as a dependent by a parent;
- 2) The child must be living with both parents; and
- 3) The parents are not expected to file a joint income tax return

If all three conditions are met, the Medicaid household is comprised of the child and each of the following who are living with the child:

- The child's parents;
- The child's spouse;
- The child's children; and
- The child's siblings (under age 21).

So what are the households in this situation?

- Mom: Household of 2—Mom + Child
- Dad: Household of 1—Dad
- Child: Household of 3—Mom + Dad + Child

Scenario 2: Separated Couples

Dear Marge,

If a couple is separated, do they have to file taxes together if they are not divorced, but living separately. Is there a difference how they have to file between Medicaid/QHP?

--Separated, but not Single

For purposes of Medicaid eligibility, the answer is simple—a separated couple can file taxes separately and still qualify for coverage. The answer to this question is a bit more complex for APTC/CSR applications.

Under tax law, marital status is determined as of the close of the calendar year. Couples who are separated, but not yet divorced, are still considered married, and therefore must, in most circumstances, file jointly to be eligible for APTCs/CSRs. There are some key exceptions.

First, if the couple has been granted a **formal legal separation** by a court, the consumers **can** file their taxes as single individuals.

Second, individuals living separately from their spouses may also qualify for the **tax filing status “head of household”**. People who file as head of household are considered to be unmarried by the IRS and can qualify for premium tax credits. A person will be considered unmarried and able to file as head of household according to the IRS if:

1. You file a separate return.
2. You paid more than half the cost of keeping up your home for the tax year.
3. Your spouse did not live in your home during the last 6 months of the tax year. Your spouse is considered to live in your home even if he or she is temporarily absent due to special circumstances.
4. Your home was the main home of your child, stepchild, or foster child for more than half the year.
5. You must be able to claim an exemption for the child. [*Note that for people who are single, a more expansive list of relatives will qualify them as head of household.*]

Third, a married taxpayer who is a **victim of domestic abuse** is eligible for APTC/CSR by filing married filing separately if:

1. You live apart from your spouse at the time you file your tax return;
2. You are unable to file a joint return because you are a victim of domestic abuse; and
3. You must indicate on your 2014 income tax return that you meet the criteria for this option.

Due to clarifications made by the Department of Treasury regarding this exception late in the open enrollment period, individuals who meet these requirements are eligible for a limited time special enrollment period, which is available through May 30, 2014. Maryland Health Connection will permit such individuals to indicate on the application that they are unmarried, without fear of penalty for misreporting marital status, and determine their eligibility for APTC and CSR on that basis. If the consumer thinks he/she may qualify for this special enrollment period, the consumer should call the Call Center at [\(855\) 642-8572](tel:855-642-8572) (TTY [\(855\) 642-8573](tel:855-642-8573)).

Additional Resources

- For more details on the Head of Household rules and other tax filing statuses check out *IRS Publication 501, Exemptions, Standard Deduction, and Filing Information*, <http://www.irs.gov/uac/Publication-501,-Exemptions,-Standard-Deduction,-and-Filing-Information-1>.
- For a refresher on the household construction rules, re-read the materials that accompanied *Issue 32: INSIDER'S EDGE: Care for a refreshment?* Also, check out one of my favorite resources, the NHELP Advocate's Guide to MAGI, available at <http://www.healthlaw.org/publications/agmagi#.U2k2RfldWSo>.