

INCOME DEDUCTIONS GUIDE (VHC)

OBJECTIVE: TO ASSIST IN REVIEWING DEDUCTIONS THAT ARE ATTESTED TO IN SIEBEL AND/OR LISTED IN DOCUMENTS SUBMITTED BY THE CUSTOMER.

Introduction

When examining deductions, consider them in the broader context of the customer's income, not as a standalone issue. Verifying deductions follows the same process as verifying income.

Review Siebel data and the submitted document(s), then refer to the appropriate section below.

- [Section A: Deduction attested to in Siebel but not listed in submitted document\(s\)](#)
- [Section B: Deduction listed in submitted document\(s\) but not attested to in Siebel](#)
- [Section C: Deduction attested to in Siebel and listed in submitted document\(s\)](#)

Section A: Deduction attested to in Siebel but not listed in submitted document(s)

Determine whether the customer will remain income eligible for MCA/QHP *without the attested deduction*.

Medicaid

1. Calculate the monthly income based on the documents.
2. Compare the calculated figure against the threshold for the customer's household size and category.
3. Is the customer under the applicable threshold *without subtracting the deduction* (and there would be no change to the Dr. D premium, if applicable)?
 - **Yes** → Do not update deduction information in Siebel. Proceed with the verification.
 - **No** → Proceed to Step 4.
4. Determine the allowable deduction amount. Would the customer be under the applicable threshold after subtracting the deduction?
 - **Yes** → The deduction must be verified. Attempt to outreach the customer via phone. If outreach is unsuccessful, create and send a MNT.
 - If outreach is successful, and the customer states they no longer claim the self-attested deduction, end the current deduction for the last day of the current month.
 - If the deduction started this year and supporting documentation is not available, a written or signed letter from the customer may be accepted on a case-by-case basis.
 - **No** → The customer is over income for MCA. Do not update deduction information in Siebel. Proceed with the verification.

Process Complete

QHP

1. Calculate the annual income based on the documents.
2. Enter the document amount and the Annual Income amount in Eligibility Factors into the calculator. Is the documentation reasonably compatible with Siebel data *without subtracting the deduction*?

Note: The Annual Income amount in Eligibility Factors already includes any deductions in Siebel. You will need to add the annual deduction amount to the figure in Eligibility Factors before comparing to the documented amount.

 - **Yes, documentation submitted is less than Eligibility Factors income, or the calculated difference between the two figures is less than 25%** → Do not update deduction information in Siebel. Proceed with the verification.
 - **No, the calculated difference between the two figures is more than 25%** → Proceed to Step 3.

3. Determine the allowable deduction amount. Would the customer's income be Reasonably Compatible after subtracting the deduction?
 - **Yes** → The deduction must be verified. Attempt to outreach the customer via phone. If outreach is unsuccessful, create and send a MNT.
 - If outreach is successful, and the customer states they no longer claim the self-attested deduction, end the current deduction for the last day of the current month.
 - If the deduction started this year and supporting documentation is not available, a written or signed letter from the customer may be accepted on a case-by-case basis.
 - **No** → Complete an Income CoC and update Siebel.

Process Complete

Section B: Deduction listed in submitted document(s) but not attested to in Siebel

If there is a deduction listed in the submitted document(s) but the customer has not attested to claiming that deduction, do not add it to Siebel. You cannot know if the customer will declare this deduction on their taxes. The customer must actively report deductions.

Section C: Deduction attested to in Siebel and listed in submitted document(s)

1. Compare the attested deduction amount in Siebel to the amount listed in the submitted document(s).
2. Does the deduction amount in Siebel **exactly** match the amount listed in the submitted document(s)?
 - **Yes** → Proceed with the verification.
 - **No** → Update the deduction in Siebel with the documented amount. Proceed with the verification.
 - **Exception:** If the attestation is new for this year and the documents are for the previous year's income, outreach for additional documentation.

Process Complete

Types of Deductions

Only certain deductions are countable toward MAGI/Annual Income, and the type of deduction may impact the customer's total income.

Allowable Deductions (MAGI)

There are certain allowable expenses a customer may claim to reduce their taxable income. For MAGI, each deduction must align with allowed tax expenses. Refer to the list below for allowable deductions for MAGI calculations:

- Certain self-employment expenses
- Student loan interest deduction
- IRA deduction (traditional IRAs)
- Moving expenses for active members of the military
- Penalty on early withdrawal of savings
- Health Savings Account (HSA) deduction
- Alimony paid under settlements executed before 2019
- Certain business expenses of reservists, performing artists, and fee-basis government officials
- Educator expenses
- Charitable contributions

Pre-Tax Deductions

Pre-tax deductions are deductions that are not included in taxable income, and do not count in MAGI or Annual Income calculations.

When reviewing paystubs, identify whether there is a “federal taxable” amount listed.

- If **yes**, use this figure as the income amount.
- If **no**, but there are pre-tax deductions listed, subtract the pre-tax deductions from the gross amount.

Examples of pre-tax deductions:

- Retirement contributions (traditional IRAs, 401K IRAs [not Roth], etc.)
- Certain HSA and FSA accounts
- Commuter benefits

Post-Tax Deductions

There are numerous types of after-tax withholdings.

- If **none** of the withholdings listed on a paystub are attested to be tax deductions by the applicant, disregard them and use the gross income amount.
- If any withholdings **are** attested to be tax deductions, try to validate using other submitted documents before outreaching the customer to request additional proof.

Examples of post-tax deductions:

- Roth 401K contributions
- Certain HSA accounts
- Disability insurance
- Life insurance
- Charitable contributions
- Contributions to 529 college savings plans
- Garnishments (such as child support payments, credit card debt etc.)