



**State of Florida
Department of Children and Families**

Ron DeSantis
Governor

Taylor N. Hatch
Secretary

DATE: March 26, 2026 **TRANSMITTAL NO.:** I-26-03-0005

TO: Economic Self Sufficiency Operations Managers
Economic Self Sufficiency Program Offices

FROM: Julie Reed, Chief, Program Policy
(Signature on File)

SUBJECT: Pretax Income Exclusions

EFFECTIVE: **Upon Receipt**

This transmittal provides the 2026 Pretax income exclusions allowed when determining countable income for assistance groups (AGs) in the Family-Related Medicaid coverage groups.

Financial eligibility for Family-Related Medicaid is determined using the household's Modified Adjusted Gross Income (MAGI). This is the household's "adjusted gross income" as calculated by the Internal Revenue Service (IRS) plus any foreign earned income and interest income exempt from tax.

Note: Pretax income exclusions are different than tax deductions.

Pretax Income Exclusions

Pretax income is excluded from gross income before taxes are deducted. Paystubs may display pretax income exclusions in various methods such as a "pretax income exclusion" section or "pre-t/pre-tx" or similar abbreviations in the deductions section of the paystub next to the amount and type.

Examples of pretax income exclusions include but are not limited to:

- Some retirement plans (IRAs and 401(k) plan types)
- Life Insurance
- Health Insurance Premiums
- Transportation programs
- Health Savings account and Flexible spending accounts

Staff must convert all pretax income exclusion amounts on the paystub/verification to a monthly amount. Failure to deduct all pretax income exclusions will result in incorrect calculation of income.

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Mission: Work in Partnership with Local Communities to Protect the Vulnerable, Promote Strong and Economically Self-Sufficient Families, and Advance Personal and Family Recovery and Resiliency

Pretax Income Exclusions

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Pretax contributions are capped at certain amounts. The IRS regulates the amount that can be excluded, and it is subject to change annually. The annual pretax income exclusions have been converted to a monthly amount on **Appendix A-37**. Staff must compare the monthly verified pretax income exclusion to the amount on the appendix. If the verified monthly amount is higher than the monthly limited listed, only budget the monthly limit shown and explain in Case Notes.

Note: An individual does not have to file a tax return to get pretax income excluded in a MAGI budget.

Earned income verification must be reviewed to determine if any unreported, allowable pretax income exclusions are identified. This should be completed for applications and renewals. Additional contact or verification is not needed, even if pretax income exclusions were not reported on the application.

If an allowable pretax income exclusion is reported and cannot be verified, staff must pend for proof of the excludable income. If the individual fails to provide verification, eligibility must be determined without the exclusion and Case Notes updated appropriately.

Verification of pretax income exclusion vary based on the type of deduction. Some examples of what can be used include but are not limited to:

- Bills
- Business records
- Receipts
- Bank account statements
- Paychecks, pay stubs, or employment verification records
- Current tax returns if the amount is anticipated to be the same; and
- Any other documents that support the expense or adjustment.

Pretax exclusions are tied to a specific income source and must be evaluated and verified at each annual review or when a change in circumstance is reported.

Tax Deductions – Reminder

The tax deductions allowed when filing a tax return that are different from a pretax income exclusion in a MAGI budget.

Examples of other tax deductions include:

- Alimony paid (for orders issued or modified before January 1, 2019)
- Student Loan Interest
- Other
 - Business expenses of reservists, artists and government officials
 - Domestic production activities deduction
 - Educator expenses
 - Penalty on early withdrawal of savings
 - Self-employed health insurance deduction

Pretax Income Exclusions

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- IRA deduction (under age 50)
- IRA deduction (Age 50 and over)
- Moving Expenses
- Self-employed SEP, SIMPLE, and qualified plans
- Self-employment tax deduction
- Tuition and fees

Tax deductions are not tied to a specific income source and must be evaluated and verified at each annual review or when a change in circumstance is reported.

Systems Instructions

The AFTD screen in FLORIDA does not capture pretax income exclusions when budgeting based on MAGI. Refer to the FLORIDA System Workaround Guide, Workaround #23 – Pretax Income Exclusions, for instructions on deducting pretax income.

For system-related questions, regional offices may contact Laquetta Anderson at Laquetta.Anderson@myffamilies.com.

Regional Program Offices with policy questions related to this transmittal should submit them through the Policy Technical Assistance Request page.

Attachment 1: Appendix A-37- Annual Pretax Income Exclusion Limit

cc: Assistant Secretary for Economic Self Sufficiency (Bridget Royster)
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AHCA (Ann Dalton, Devona Pickle, Paula James, Mia Harden, Jennifer Giddens)
Florida Healthy Kids (Suzetta Furlong)

Attachment 1
Appendix A-37 Annual Pretax Exclusion Limit

Annual Pretax Income Exclusion Limit		
Pretax Income Exclusion	2026-Annual Income Exclusion Limit	2026-Monthly Exclusion Conversion
IRA	49 and under - \$7,500	49 and under - \$625
	50 and older - \$8,600	50 and older - \$717
401(k)	49 and under - \$24,500	49 and under - \$2,042
	50-59 - \$32,500	50-59 - \$2,709
	60-63 - \$35,750	60-63 - \$2,980
	64 and older - \$32,500	64 and older - \$2,709
Life Insurance	Exclude employee-paid life insurance premiums from gross income.	Exclude employee-paid life insurance premiums from gross income.
Health Insurance Premiums	Exclude employee-paid health insurance premiums from gross income.	Exclude employee-paid health insurance premiums from gross income.
Health Savings Accounts (HSAs)	54 and under: Self-only - \$4,400 Family - \$8,750	54 and under: Self-only - \$367 Family - \$730
	55 and older: Self-only - \$5,400 Individuals who are married - \$10,750	55 and older: Self-only - \$450 Individuals who are married - \$896
Flexible Spending Accounts (FSAs)	\$3,400	\$284
Transportation Programs	\$4,080	\$340