



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

Ron DeSantis
Governor

Shevaun L. Harris
Secretary

DATE: March 29, 2024 **TRANSMITTAL NO.:** I-24-03-0010

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 2024 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 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 on CLRC.

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 CLRC 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

There are also 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

- 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 calculating the MAGI budget. 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@myflfamilies.com.

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

Attachment 1: Workaround #23 – Pretax Income Exclusions

Attachment 2: Appendix A-37 – Annual Pretax Income Exclusion Limit

cc: Assistant Secretary for Economic Self Sufficiency (Sharron Washington)
Assistant Secretary for Office of Child and Family Well-Being (Kate Williams)
Assistant Secretary for Office of Community Services (Jess Tharpe)
Assistant Secretary for Office of Substance Abuse and Mental Health (Erica Floyd Thomas)
Assistant Deputy Secretary for Operations (Tonyaleah Veltkamp)
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Strategic Programs and Innovation (Heather DeFrancisco)

AHCA (Tom Wallace, Ann Dalton, Paula James, Mia Harden, Jennifer Giddens)

Florida Healthy Kids (Suzetta Furlong)

23. PRETAX INCOME EXCLUSIONS FOR FAMILY RELATED MEDICAID ASSISTANCE GROUPS

Problem: The Federal Tax Deductions (AFTD) screen is used to collect and display tax deduction information for individuals who have indicated on the Shelter and Utility Questions (AFSQ) screen that they have allowable tax deductions. AFTD does not support pre-tax income exclusions. Therefore, this workaround is being created to help ensure that customers receive credit for these deductions.

Workaround: When reviewing paystubs/income verification, staff must deduct all “pretax income exclusions” from the “gross” income listed. Paystubs may display “pretax income exclusions” in various methods such as a “pretax income exclusion” section or pre-t/pre-tx” or similar abbreviation in the deductions section of the paystub next to the amount and type. Staff must convert all pretax income exclusion amounts on the paystub/verification to a monthly amount. Pretax income exclusions and adjustments to gross income that occur more often than once per month are calculated the same way as income for MAGI programs.

Option A: Use for households containing NO working elderly/disabled members with earned income and pretax deductions.

STEP	Screen	Action
1	AFEI	Deduct the monthly pretax income exclusions from the monthly gross income, then enter that amount in the (FAMILY MA) field on AFEI
2	AFMD	If the customer has pretax Third-Party Medical insurance update AFMD with all insurance information and enter 0.00 in the premium field.
2	AABC	Run EDBC
3	AWAA	Authorize benefits once all eligibility requirements are met
4	CLRC	Update CLRC with workaround 23 used and note actions taken to calculate the monthly Modified Adjusted Gross Income (MAGI) for MFAM

Attachment 1

Workaround #23 – Pretax Income Exclusions

Option B: Use for households containing working elderly/disabled members with earned income and pretax deductions.

Step	Screen	Action
1	AFEI	Deduct the monthly pretax income exclusions from the monthly gross income then enter that amount in the (FAMILY MA) field.
2	AFMD	Update AFMD with all Third-Party Medical insurance information AND enter the insurance premium on the (PREMIUM) field
3	AABC	Run EDBC
4	AWAA	If any household member fails, the budget test for full Family-Related Medicaid go to “step 5”. If all household members PASS on AWAA for full Family-Related Medicaid go to “step 6”.
5	AFEI	For failed household members and to test for full Family-Related Medicaid Coverage add the monthly medical insurance premium back to the income amount entered in the (FAMILY MA) field
6	AWAA	Authorize benefits once all eligibility requirements are met
7	CLRC	Update CLRC “Workaround 23 “used and note actions taken to calculate the monthly modified adjusted gross Income (MAGI) for MFAM

Attachment 2

Appendix A-37 Annual Pretax Income Exclusion Limit

Annual Pretax Income Exclusion Limit		
Pretax Income Exclusion	2024-Annual Income Exclusion Limit	2024-Monthly Exclusion Conversion
IRA	49 and under - \$7,000 50 and older - \$8,000	49 and under - \$583 50 and older - \$666
401(k)	49 and under - \$23,000 Employees who are 50 or older can contribute an additional catch-up contribution-\$7,500	49 and under-\$1,916 Employees who are 50 or older can contribute an additional catch-up contribution-\$625
Life Insurance	Group-term life insurance is exempt from all employment taxes	Group-term life insurance is exempt from all employment taxes.
Health Insurance Premiums	Exclude the entire health insurance premium.	Exclude the entire health insurance premium.
Transportation Programs	\$3,600	\$300
Health Savings account	Self-only - \$4,150 Family - \$8,300	Self-only - \$345.83 Family - \$691.66
Flexible spending Account	\$3,200	\$266.67