



State of California—Health and Human Services Agency
Department of Health Care Services



DATE: February 13, 2023

Medi-Cal Eligibility Division Information Letter No.: I 23-08

TO: ALL COUNTY WELFARE DIRECTORS
ALL COUNTY ADMINISTRATIVE OFFICERS
ALL COUNTY MEDI-CAL PROGRAM SPECIALISTS/LIAISONS

SUBJECT: TREATMENT OF CALIFORNIA ARREARAGES PAYMENT PROGRAM,
BETTER FOR FAMILIES TAX REFUND, AND YOUNG CHILD AND
FOSTER YOUTH TAX CREDITS FOR MODIFIED ADJUSTED GROSS
INCOME MEDI-CAL AND NON-MAGI MEDI-CAL

Purpose

The purpose of this Medi-Cal Eligibility Division Letter (MEDIL) is for the Department of Health Care Services (DHCS) to provide policy guidance regarding payments issued under the California Arrearages Payment Program (CAPP), Better For Families Tax Refund, and the Young Child and Foster Youth Tax Credits (FYTC) for Modified Adjusted Gross Income (MAGI) Medi-Cal and Non-MAGI Medi-Cal financial eligibility determinations.

Background

CAPP

[Assembly Bill \(AB\) 205 \(Chapter 61, Statutes of 2022\)](#) established CAPP which is a state program administered by the Department of Community Services Development (DCSD) and is intended to help pay eligible residential customers' past due energy bills that increased during the COVID-19 public health emergency (PHE). Per the [DCSD](#), energy utility customers do not need to apply to receive assistance under the CAPP program. If a residential customer account is eligible, a credit will be automatically applied to the customer's bill. Individuals with past due residential energy bills that accrued during the COVID-19 PHE period, between March 4, 2020, to December 31, 2021, will qualify for relief under the 2022 CAPP.

Better for Families Tax Refund

[AB 192](#) established the Better for Families Tax Refund program, also known as the middle-class tax refund by the Franchise Tax Board, by adding [Section 8161 to the](#)

[Welfare and Institutions Code](#). The purpose for the refund is to provide financial relief for Californians who were adversely impacted by the economic pressures and the effects of the COVID-19 PHE. The refund is a one-time payment for certain qualified taxpayers, and the one-time payment would be treated in the same manner as the federal earned income refund.

Young Child and Foster Youth Tax Credits

Under the Personal Income Tax Law, for taxable years beginning on or after January 1, 2022, [Senate Bill \(SB\) 201](#) created the refundable FYTC for qualified taxpayers. The FYTC is a program established by the California Earned Income Tax Credit (EITC) and will allow eligible youth who file a California state tax return to claim the FYTC. To be considered for the FYTC, an individual must meet the following criteria:

- Qualify for EITC,
- Be age 18 through 25 at the end of the tax year,
- Have been in foster care at age 13 or older and placed through the California foster care system,
- Have an income of at least \$1 and less than \$30,000, and
- Satisfy foster care verification requirement.

Additionally, this bill would expand the definition of "qualified taxpayer" to also include individuals who otherwise met the requirements to receive an EITC, but had earned income of \$0 or less for the taxable year.

Policy

The following below describes the treatment of CAPP, FYTC, and Better For Families Tax Refund for both MAGI and Non-MAGI financial eligibility determinations.

Treatment of CAPP Payments

MAGI Eligibility

County Eligibility Workers (CEWs) must treat the CAPP payment for MAGI Medi-Cal as a qualified disaster relief payment, similar to other disaster payments that are excluded from individual taxable gross income pursuant to the Internal Revenue Service (IRS) [Publication 3833](#) and [Section 139](#) of the IRS. Therefore, the CAPP payments are not counted in the MAGI Medi-Cal financial eligibility determination.

Non-MAGI Eligibility

For Non-MAGI Medi-Cal, the payment would be considered an exempt qualified disaster relief payment and as emergency assistance, and would not be counted as

income or a resource per [CCR Title 22 sections 50535.5](#) and [50481](#). Further guidance for the treatment of disaster assistance payments related to Non-MAGI Medi-Cal can also be found in [ACWDL 92-08](#).

Treatment of Better For Families Tax Refund

MAGI Eligibility

Per the [MAGI Income and Deduction Types](#) chart, the Better for Families Tax Refund is excluded from gross income and must not be counted as income when determining financial eligibility for MAGI Medi-Cal applicants or beneficiaries.

Non-MAGI Eligibility

For Non-MAGI eligibility purposes, the Better For Families Tax Refund would not be counted as income since it is a federal tax credit ([22 CCR section 50543.5](#)). The payments would be exempt as property for 12 months following the month of receipt ([ACWDL 11-17](#)).

Treatment of Young Child and Foster Youth Tax Credits

MAGI Eligibility

Since the FYTC is an expansion of the EITC, it is treated the same as EITC. Per the [MAGI Income and Deduction Types](#) chart, the EITC is excluded from gross income and must not be counted as income when determining financial eligibility for MAGI Medi-Cal applicants or beneficiaries.

Non-MAGI Eligibility

Per [22 CCR section 50543.5](#), the EITC shall be exempt as income whether received as a tax refund or an advance payment for when determining eligibility for Non-MAGI Medi-Cal. Since the FYTC is a program of EITC, it is **not** counted as income for Medi-Cal eligibility determinations. Furthermore, FYTC payments are exempt as property for 12 months following the month of receipt ([ACWDL 11-17](#)).

If you have any questions or if we can provide further information, please contact Janis Kimball by phone at (916) 345-8060 or by email at Janis.Kimball@dhcs.ca.gov.

Original Signed By

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