

DATE: February 12th, 2025

Medi-Cal Eligibility Division Information

Letter No.: I 25-06

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

SUBJECT: Required Documentation When Submitting S-Corporation Income

The purpose of this Medi-Cal Eligibility Division Information Letter (MEDIL) is to provide counties with clarification regarding the required documentation when the submitted self-employment income is received via an S-Corporation for Modified Adjusted Gross Income (MAGI) Medi-Cal.

Background

S-Corporations are corporations that elect to pass their corporate income, losses, deductions, and credits through to their shareholders for federal tax purposes. The shareholders of the S-Corporation are then required to report the flow-through of income and losses on their personal tax returns and are assessed tax at their individual income tax rates. Therefore, the amount that is listed as either income or loss on the individual's tax return is the amount that should be utilized when calculating income for the MAGI Medi-Cal budget.

S-Corporation Income Verifications

If the applicant/member provides the previous year's tax return, the county can utilize this for the necessary income verification. However, if the applicant/member claims a loss that is not reflected on the previous year's tax return, the following three options can be used to verify the self-attested income information:

- The previous year's K-1, along with a sworn statement that indicates the cause of the change, the income amount, and the expected portion of loss for the current year, documenting that the applicant/member is the sole distributor of the profit and loss for the corporation; or
- A profit and loss statement, along with a sworn statement that confirms the anticipated profit and losses for this current year based on tax filing rules; or
- A sworn statement, signed and dated under penalty or perjury, if the documentation to verify the information is unavailable, and all other verification attempts are unsuccessful, describing the cause of the change in income, the amount of the change, and the expected portion of loss for the current year, can be submitted as a last resort.

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If you have any questions, or if we can provide further information, please the Medi-Cal Eligibility Division (MCED) Policy inbox at MCED-Policy@dhcs.ca.gov.

Sincerely,

Sarah Crow
Division Chief
Health Care and Benefits
Department of Health Care Services