

DATE: April 7, 2026

Medi-Cal Eligibility Division Information

Letter No.: I 26-10

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

SUBJECT: CLARIFICATION ON THE TREATMENT OF OVERTIME AND TIPS FOR
MODIFIED ADJUSTED GROSS INCOME (MAGI) UNDER HOUSE
RESOLUTION 1 (H.R. 1)

The purpose of this Medi-Cal Eligibility Division Information Letter (MEDIL) is to inform counties of the treatment of overtime and tips for Modified Adjusted Gross Income (MAGI) Medi-Cal eligibility determinations as a result of H.R. 1, 119th Cong. (2025) (enacted as [Public Law No. 119-21](#), July 4, 2025).

Section 70201 of H.R. 1 established a temporary deduction for individuals who receive qualified tips during the taxable year. Additionally, Section 70202 established a similar temporary tax for individuals who receive qualified overtime during the taxable year. These deductions for qualified overtime and tip income are available through tax year 2028.

Since these deductions do not reduce the Adjusted Gross Income (AGI) used to determine MAGI, counties should continue to include all tip and overtime income as countable income for the purpose of MAGI Medi-Cal financial eligibility determinations.

The MAGI Income and Deductions Types Chart has been updated to include overtime. Tips were already included in the chart prior to this update. For additional information on what counts as MAGI Income and Deduction under Medi-Cal rules, please refer to the [MAGI Income and Deduction Types Chart](#).

If you have any questions or for further information, please contact MCED-Policy@dhcs.ca.gov

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Sincerely,

Sarah Crow
Division Chief
Medi-Cal Eligibility Division