



# Self-Employment, Net Operating Loss, Capital Loss, and Capital Gains (MAGI Income Updates HCPF 14336)

## SELF-EMPLOYMENT NEW CALCULATION

Self-Employment income will be allowed to go to a **negative** number after subtracting expenses. If the self-employment expenses are **greater than** the earnings from self-employment, then CBMS will count the negative net self-employment income.

### Example:

Member is self-employed with \$12,000 annual income and with \$15,000 of expenses, this member's countable income will be **-\$3,000**.

This negative amount: **-\$3,000**, will come off the total countable income for the MBU. His spouse is employed and makes \$25,000 a year. The calculation would be:

$$\$25,000 - \$3,000 = \$22,000$$

Total Countable income for this MBU is **\$22,000**.

## NET OPERATING LOSS DATA ENTRY

### Net Operating Loss is now a new tax deduction for MAGI

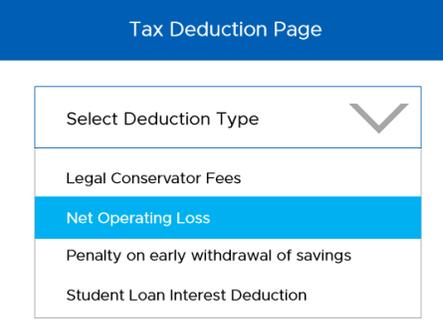
A net operating loss may occur when an individual's **deductions** for a year are more than the individual's income for the year. The Net Operating Loss may then be deducted from future year(s) income.

### Example:

Elmira applies for Medical Assistance on 03/01/2021. She is self-employed and reports and verifies current annual income of \$15,000 and NOL of \$18,000 for tax year 2020. Her wife is employed and makes \$25,000.

### Data Entry for Example:

1. Navigate to the Tax Deduction Page.
2. Select Net Operating Loss from the drop down menu.
3. Enter the amount \$18,000.
4. Type the Effective Begin Date as 03/01/2021 (NOL reported).
5. Type the Effective End Date as 02/28/2022 (the RRR due month).



The screenshot shows a web interface titled "Tax Deduction Page". It features a dropdown menu with the text "Select Deduction Type" and a downward arrow. The menu is open, showing four options: "Legal Conservator Fees", "Net Operating Loss" (which is highlighted in blue), "Penalty on early withdrawal of savings", and "Student Loan Interest Deduction".

## CAPITAL LOSS DATA ENTRY

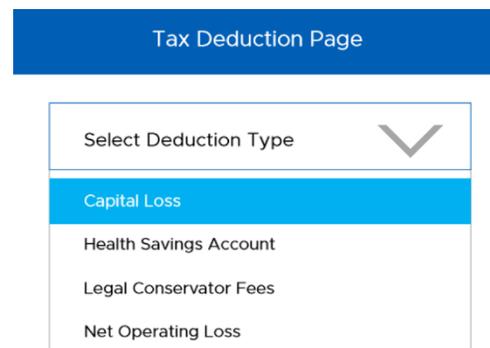
Capital Loss is **no longer** an Unearned Income type. It used to be on the Unearned Income page listed as Capital Gain/Losses. Now it is just an **expense**.

### Example:

Ongoing Medical Assistance case. The case consists of two parents (MAGIC Parent/Caretaker) and four children (MAGI Child). Parent #1 is Self Employed and has an annual income of \$20,000 and has Capital Losses of \$24,000 (-\$4000). Parent #2 is employed at IBM and makes \$35,000 a year. They file taxes jointly.

### Data Entry for Example:

1. Navigate to the Tax Deduction Page.
2. Select Capital Loss from the drop down menu.
3. Enter the amount \$24,000.



The screenshot shows a blue header bar labeled "Tax Deduction Page". Below it is a dropdown menu with the text "Select Deduction Type" and a downward arrow. The menu is open, showing four options: "Capital Loss" (highlighted in blue), "Health Savings Account", "Legal Conservator Fees", and "Net Operating Loss".

## ACCESSIBILITY

*This document is designed to comply with the Web Content Accessibility Guidelines (WCAG) 2.1 AA standard. If you experience any difficulty accessing the content or have questions regarding the process, please contact [SOC\\_StaffDevelopment@state.co.us](mailto:SOC_StaffDevelopment@state.co.us) for assistance.*