



Policy Clarification 2019-04-01

Title: 2018 Federal Tax Form Changes

Date: 04/16/19

From: Jerri Camargo, Family Medical Program Manager

Program(s) impacted: All Programs

The 1040 federal tax form has been substantially modified for 2018. The update includes minimizing the form to postcard size (front and back) with the addition of Five (5) new numbered schedules – Schedule 1, 2, 3, 4, and 5. Due to this change, previous instructions provided to staff concerning the use of the tax form to identify income require the following modifications.

1. **Policy Memo 2014-11-01** (Policy Implementation Instructions and Information for November 1, 2014) – There are two notable changes to the instructions provided in this memo.

Section 1.D.1. of the memo indicates that wages paid from a business to the business owner may be located on Line 7 on the 1040 tax form. Effective with tax year 2018, this information is now located on Line 1 of the 1040 tax form.

Section 1.D.2. states that capital gains may be located on Line 13 or Line 14 of the 1040 tax form. This information is now found on Line 13 or Line 14 of the new Schedule 1. Capital Gains still must be prorated over the year by dividing the amount obtained from Line 13 or Line 14 by 12.

2. **Policy Memo 2016-05-01** (Medical Assistance Eligibility Changes) – The instruction provided in Section 1.A. is changing. That section indicates that the amount of deductible self-employment tax is located on Line 27 of the 1040 tax form. With the change, this information is now found on Line 27 of the new Schedule 1.
3. **Self-Employment PowerPoint** – This document indicates that the 1040 tax form shall be used to identify if there is an accompanying Schedule C, C-EZ, E or F. The new Schedule 1 form shall now be used for this purpose – Line 12 (Schedule C or CZ – Business income or loss), Line 17 (Schedule E – Rental real estate, royalties, partnerships, S corporations, trusts, etc.), Line 18 (Schedule F – Farm income or loss). The 1040 tax form will still be required because other countable income could be listed on the form.

Remaining the same is **Policy Memo 2014-01-01** (Medical Assistance Program Instructions Related to the Affordable Care Act) – The instructions for self-employment income in Section 1.5.1 of this memo is still correct. No changes were made to the Self-Employment tax forms. Staff shall continue to identify net profit from Schedule C (Line 31), Schedule C-EZ (Line 3), Schedule F (Line 34) and Schedule E (Line 26 and Line 32).

The actual language in the above identified memos have not been updated or revised to reflect these changes. The instructions contained in this memo supersede the original instructions in the appropriate sections to the extent provided in this memo. In addition, training materials and other documents associated with this change will be updated and distributed as identified.

For questions or concerns related to this document, please contact one of the Medical program staff below.

Vacant, Senior Manager –

Jerri Camargo, Family Medical Program Manager – Jerri.M.Camargo@ks.gov

Erin Petitjean, Elderly and Disabled Program Manager – Erin.Petitjean@ks.gov