



Reading Paystubs: *Where's the MAGI?*

Step 1 – Identify Frequency of Pay

- Is the stub labeled weekly? Bi-weekly? Monthly? If not, then look for the pay period.
- If no indication of frequency and no pay period, then you may have to ask / confirm.

Step 2a – Stub Lists Federal Taxable Income?

- If the stub lists something like "federal taxable income" or "federal taxable wages," then this will be the MAGI for the pay period in question.

Step 2b – Stub Lists Pre-Tax Deductions?

- Some stubs indicate that certain deductions are "pre-tax" or "excluded from federal taxable wages" (or other similar descriptions). For these stubs:
 - o Start with "gross income" or "gross wages."
 - o Then subtract the amounts indicated as pre-tax.
 - o This will be your MAGI for the period in question.

Step 2c – Stub Unclear as to Taxable Income or Pre-Tax Deductions?

- For paystubs that don't fit into Step 2a or 2b, start with the number described as "gross income," "gross wages," "gross earnings," or something similar.
- You might be able to identify deductions that are pre-tax. Common pre-tax deductions include employee contributions to:
 - o health insurance premiums,
 - o 401(k)s and 403(b)s (and some other pension or retirement accounts),
 - o Dependent care accounts,
 - o Commuter expenses, and
 - o flex spending accounts (FSAs) and health savings accounts (HSAs).
- If any of these items are clearly identified, you can subtract them from gross income.
- If unclear, you may need to follow up with the client.
- You may also end up using the gross income as your estimate for the wages portion of MAGI. Especially for likely tax credit recipients, this will often be a good idea.

Step 3 – Is This Stub "Typical"?

- Is there any indication that this stub is not typical? Overtime? Other one-time items?
- You may need to get an explanation or find another stub, especially if projecting annual income.