

THE UNITED STATES
1997

1. Overview of the system

Unemployed persons can receive unemployment compensation for a maximum of 26 weeks. There are a number of provisions for low income families. The most important are Food Stamps and Temporary Assistance for Needy Families (TANF) which are granted to families in need. Responsibility for TANF belongs to the individual states. An Earned Income Tax Credit is available to poor working families. The tax unit is the individual, but couples have the option to be taxed jointly. Tax and benefit systems vary from state to state. The State of Michigan is used to represent a typical manufacturing region. Michigan benefits are somewhat above the average for all states.

The 1997 APW level is \$28 584.

2. Unemployment insurance

The US department of Labour oversees the system, but each state administers its own programme. Eligibility conditions differ from state to state, as do maximum benefit levels. All states require that UI-recipients be able to, and available for, work.

2.1 *Conditions for receipt*

2.1.1 *Employment conditions*

The minimum employment record is 6 months, with a minimum gross salary of \$3 084 per annum.

2.1.2 *Contribution conditions*

None.

2.2 *Calculation of benefit amount*

2.2.1 *Calculation of gross benefit*

50 per cent of reference gross salary. The benefit is bound by a minimum of \$87 per week (\$4 524 per year), and a maximum of \$300 per week (\$15 600 per year).

2.2.2 *Income and earnings disregards*

The benefit is not means-tested. Any income from work reduces the benefit to zero.

2.3 *Tax treatment of benefit*

Unemployment insurance benefit income is subject to both central and local government income tax, but is exempted from social security taxes.

2.4 *Benefit duration*

26 weeks for Michigan (states with exceptionally high unemployment extend the benefit duration to 39 weeks).

2.5 *Treatment of particular groups*

2.5.1 *Young persons*

None.

2.5.2 *Older worker*

None.

3. **Unemployment assistance**

There are no unemployment assistance schemes in the United States.

4. Social assistance

The Supplemental Security Income (SSI) Programme is a means-tested, federally administered income assistance programme which provides monthly cash payments in accordance with uniform, nation-wide eligibility requirements to needy aged, blind and disabled persons. Its operation is beyond the scope of this publication.

Food Stamps are designed primarily to increase the food purchasing power of eligible low-income households to a point where they can buy a nutritionally adequate low-cost diet. This benefit scheme is classified -- for the purposes of this publication -- as social assistance.

4.1 *Conditions for receipt*

Food Stamps are, in principle, granted to all families in need, provided at least one member registers and searches for work and accepts suitable job offers (unless one person works 30 hours or more per week). To be entitled to the benefit, families need to pass two income tests (except for families with no other income than benefit income who generally qualify automatically):

- Basic (gross) monthly income must not exceed 130 per cent of the poverty guidelines;
- Counted (net) monthly income must not exceed 100 per cent of the poverty guideline.

4.2 *Calculation of benefit amount*

4.2.1 *Calculation of gross benefit*

Basic (gross) monthly income is the cash household income. It is assumed gross earned income after federal, state and local taxes, and social security contributions is meant. The Earned Income Tax Credit (EITC) (see Section 8) is not included in basic monthly income. Also excepted are unanticipated, irregular or infrequent income up to \$30/quarter and income from tax refunds.

Counted (net) monthly income is computed as follows (1998):

- basic monthly income
- + TANF
- standard deduction: \$134
- 20 per cent of gross earnings in recognition of taxes and work related expenses
- out-of-pocket child-care expenses up to:

- max. per dependent under 2: \$200
- max. per dependent 2 or older: \$175

rent if it exceeds 50 per cent of net counted income so far and with a maximum of \$275

As low income families are expected to spend 30 per cent of their income on food, the maximum benefit amounts are decreased by 30 per cent of counted income.

Maximum monthly Food Stamp allotments are linked to family size (see table):

Household size (persons)	Maximum allotments (\$ per month)	Gross income eligibility limit (\$ per month)	Net income eligibility limit (\$ per month)
1	125	893	671
2	230	1 176	905
3	329	1 479	1 138
4	419	1 783	1 371
5	497	2 086	1 605
6	597	2 389	1 838
7	659	2 693	2 071
8	734	2 996	2 305
each additional person	+94	+304	+234

(1998 rates)

4.2.2 *Income and earnings disregards*

Food Stamps are not included in the means test of any other benefit.

4.3 *Tax treatment of benefit*

Food Stamps are not taxable.

4.4 *Benefit duration*

Indefinitely, as long as the conditions are fulfilled. Food Stamps are issued monthly.

4.5 *Treatment of particular groups*

4.5.1 *Young persons*

None.

4.5.2 *Older workers*

None.

4.5.3 *Unemployed, healthy childless adults*

Healthy, childless adults are subject to strict work requirements and time limits on their participation. They may receive benefit for only three months in any 36-month period unless they work, are exempted under other provisions of law, or live in an area waived from work requirements due to insufficient jobs.

4.5.4 *Immigrants*

A non-citizen is not eligible for food stamps unless he/she meets all the normal eligibility requirements AND is both a qualified alien (according to specified rules and regulations) and meets the special food stamp criteria (according to specified rules and regulations).

5. Housing benefits

The Federal Government provides housing aid indirectly to lower income households in the form of housing block grants to State and local governments, which may use these funds for various housing assistance activities specified in the law. There are many families who get rent subsidies either directly or by voucher. These subsidies are administered by local housing authorities. A number of tax provisions for house owners also exist.

6. Family benefits

6.1 *Conditions for receipt*

The Temporary Assistance for Needy Families (TANF) program (enacted in 1996) replaced the former Aid to Families with Dependent Children Program and the Job Opportunities and Basic Skills Training Program ending Federal entitlement to assistance. States, Territories and Indian Tribes determine eligibility and benefit levels and services provided to needy families. There is only one Federal requirement and that is that the family include at least one child or the mother must be pregnant.

Most families that receive TANF benefits also qualify for Medicaid benefits. Medicaid is a Federal-State program providing medical assistance for low-income persons who are aged, blind, disabled, members of families with dependent children, and certain other pregnant women and children. Within Federal guidelines, each State designs and administers its own program. Thus there is substantial variation among States in coverage, types and scope of benefits offered and amounts of payments for services. Transitional Medicaid benefits may be available up to 12 months after the loss of TANF benefits due to employment.

6.2 *Calculation of benefit amount*

There are no Federal TANF rules or requirements regarding the State's calculation of benefits. Each State may establish its own benefit levels and determine its own benefit calculation. TANF is the successor to the Aid to Families with Dependent Children (AFDC). The AFDC program was started as a benefit for widows and orphans. Over time, most of the beneficiary families were headed by unmarried mothers. When AFDC began, the benefit enabled mothers without a spouse to support them to care for their kids at home. Now, recipients of TANF are expected to work and become self-sufficient within the state's time limit, but no longer than 60 months.

The benefit is calculated based on the number of family members using the following amounts as a guideline (in Michigan):

- 1 person: \$276 (i.e. pregnant mother expecting first child)
- 2 people: \$371
- 3 people: \$459
- 4 people: \$563
- 5 people: \$659
- 6 people: \$792
- 7 people: \$868

6.2.2 *Income and earnings disregards*

Except where another Federal statute specifies that certain income or other benefits should be disregarded, each State may decide which income to consider in calculating the benefit amount. There is considerable variation among the States in their treatment of earned income. Some states (not Michigan) impose a "family cap" on benefits. The initial benefit is based on the size of the family at the time of application, and benefits do not increase for additional children conceived after eligibility is determined.

6.3 *Tax treatment of benefit*

Family benefits are not taxable.

6.4 *Benefit duration*

Eligibility and benefits are determined monthly. Federal funding for TANF benefits is limited to 60 months for each family. The 60 months do not have to be consecutive, but it is a lifetime limit. Each State has the option of shortening the time limit. States may use their own funds to provide benefits after the expiration of the 60 months. Many States have either shortened the time limit (for example, several States have a 24 month time limit) or limited the number of months that a family may receive benefits within a certain period of time. For example, the family may receive benefits for 24 months within a 60-month period, but there is a lifetime limit of 60 months).

6.5 *Treatment of particular groups*

Federally recognised Indian Tribes now have the opportunity to administer their own TANF program in a manner similar to States. States have the flexibility to give special treatment to the victims of domestic violence. States have the option to certify that they will assist victims of domestic violence by: screening for them when they apply for TANF; referring these clients to counselling and supportive services; and waiving time limits, residency requirements, child support co-operation requirements, and family cap provisions.

7. Child-care benefits

Federal funding for child care services is available under the Child Care and Development Fund (CCDF). CCDF requires States to serve families through a single, integrated child care system. Subsidised child care services are available to eligible parents through certificates or contracted programs. Parents may select any legally operating child care provider. Child care providers serving children funded by CCDF must meet basic health and safety requirements set by States and Tribes. These requirements must address prevention and control of infectious diseases, including immunisations; building and physical premises safety; and minimum health and safety training.

8. Employment-conditional benefits

The Earned Income Tax Credit (EITC) is a refundable tax credit. Eligible for EITC are working families with children under 19 and childless working persons aged between 25 and 65 that meet certain income thresholds. EITC has three ranges:

- first there is the subsidy range where workers claim a tax credit as a percentage of their gross earnings;
- second, the flat range where tax credit is fixed at its maximum;
- third the phase out range where EITC is reduced with a percentage of extra gross earnings. EITC cannot become negative.

Family type	Subsidy rate (%)	Flat region (\$)		Maximum credit (\$)	Phase out rate (%)	Cut off (\$)
		Begin	End			
1 child	34.00	6 500	11 950	2 210	15.98	25 760
2+ children	40.00	9 140	11 950	3 656	20.22	29 290
no children	7.65	4 340	5 450	332	7.65	9 770

9. Lone-parent benefits

None.

10. Tax system

10.1 Income tax schedule

10.1.1 Tax allowances and credits

- exemption of \$6 900 for a married couple filing jointly;
- exemption of \$6 050 for single heads of households, or \$4 150 for single individuals;
- exemption of \$2 650 per person, reduced by 2 per cent of gross income over \$181 800 for couples, \$151 500 for heads of households, \$121 200 for individuals).

For each child claimed as a dependent of a taxpayer's return, the taxpayer is entitled to a dependency exemption of US\$ 2 650.

10.1.2 The definition of taxable income

Gross income minus the above tax exemptions.

10.1.3 The tax schedule

Federal income tax:

Single and individual	Joint	Tax rate(%)
0 – 24 650	0 – 41 200	15
24 650 – 59 750	41 200 – 99 600	28
59 750 – 124 650	99 600 – 151 750	31
124 650 – 271 050	151 750 – 271 050	36
271 050+	271 050+	39.6

Local tax in Detroit:

- 3 per cent of gross income above a personal exemption. The exemption is \$600 per family member.

State tax in Michigan:

- 4.4 per cent of gross income above a personal exemption. The exemption is \$2 500 per family member. The resulting amount is decreased by:
 - 20 per cent of local tax with a maximum of 20 per cent of \$100;
 - 10 per cent of local tax above \$100 and below \$150 + \$20;
 - 5 per cent of local tax above \$150 + \$25.

10.2 Treatment of family income

Couples file jointly, but have the option to file separately using a tax schedule with tax brackets that are one-half the joint schedule.

10.3 Social security contribution schedule

6.2 per cent of gross earnings is payable as a contribution for old age, survivors, and disability insurance up to a maximum earnings level of \$65 400. 1.45 per cent on all gross earnings (no limit) for hospital insurance.

11. Part-time work

11.1 Special benefit rules for part-time work

The unemployment benefit is calculated for qualifying part-time workers the same as it is for full-time workers.

11.2 Special tax and social security contribution rules for part-time work

Part-time workers only qualify for unemployment insurance if they work more than 20 hours per week or earn more than \$1 340 per year. There are no specific rules for part-time workers to be eligible to the Earned Income Tax Credit (Section 8).

12. Policy developments

12.1 Policy changes introduced in the last year

None.

12.2 Policy changes announced

The deduction for shelter costs (rent) in counted income for determining Food Stamps payments is abandoned as of 1 January 1997.

As of 1 July 1997, a cash welfare block grant called Temporary Assistance for Needy Families (TANF) replaces Aid to Families With Dependent Children (AFDC). The grant is made to individual states; its purpose is to increase state flexibility in providing assistance to needy families with children.

UNITED STATES

**The annual tax/benefit position of an unemployed single person, 1997
(Dollars)**

	Unemployment insurance	Social assistance
A. Taxable benefits		
Means-tested benefits		
Non-means tested benefits		
Unemployment compensation	14 292	
Total taxable benefits	14 292	0
 B. Income tax and social security contributions		
Income tax allowances	6 800	
Taxable income	7 492	
Federal income tax	1 124	
State/local tax	481	
Social security contributions	0	
Total income tax and social security contributions	1 605	0
 C. Non-taxable benefits		
Means-tested benefits		
Food Stamps	0	1 500
TANF	0	0
Non-means tested benefits		
Total non-taxable benefits	0	1 500
 D. Net income out of work (A-B+C)	12 687	1 500
 E. Net income in work	21 202	21 202
 F. Net replacement rate (D/E) (per cent)	60	7

UNITED STATES

**The annual tax/benefit position of an unemployed married couple with two children, 1997
(Dollars)**

	Unemployment insurance	Social assistance
A. Taxable benefits		
Means-tested benefits		
Non-means tested benefits		
Unemployment compensation	14 292	
Total taxable benefits	14 292	0
 B. Income tax and social security contributions		
Income tax allowances	17 500	
Taxable income	0	
Federal income tax	0	
State/local tax	154	
Social security contributions	0	
Total income tax and social security contributions	154	0
 C. Non-taxable benefits		
Means-tested benefits		
Food Stamps	0	4 474
TANF	0	6 756
Non-means tested benefits		
Earned Income Tax Credit		
Total non-taxable benefits	0	11 230
 D. Net income out of work (A-B+C)	14 138	11 230
 E. Net income in work	23 341	23 341
 F. Net replacement rate (D/E) (per cent)	61	48

UNITED STATES

**The annual tax/benefit position of a lone parent with two children, 1997
(Dollars)**

	Unemployment insurance	Social assistance
A. Taxable benefits		
Means-tested benefits		
Non-means tested benefits		
Unemployment compensation	14 292	
Total taxable benefits	14 292	0
B. Income tax and social security contributions		
Income tax allowances	14 000	
Taxable income	292	
Federal income tax	44	
State/local tax	263	
Tax credit (DCC)	0	
Social security contributions	0	
Total income tax and social security contributions	307	0
C. Non-taxable benefits		
Means-tested benefits		
Food Stamps	0	3 768
TANF	0	5 508
Non-means tested benefits		
Earned Income Tax Credit		
Total non-taxable benefits	0	9 276
D. Net income out of work (A-B+C)	13 985	9 276
E. Net income in work	22 689	22 689
F. Net replacement rate (D/E) (per cent)	62	41