THE UNITED STATES
2002

1. Overview of the system

Generally, 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 administration of Food Stamps is shared, with the Federal government paying for the benefit costs and setting broad rules and the States directly administering the program. 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 2002 AW level in Michigan is USD 35 026.

2. Unemployment insurance

The US Department of Labor oversees the system, but each State administers its own programme. Eligibility conditions differ from State to State, as do maximum benefit levels. Generally, 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 20 weeks, with a minimum gross salary of USD 3 090 per annum in Michigan.

2.1.2 Contribution conditions

Employers pay 0.1 to 8.1 per cent of the first USD 9 500 for each covered employee in Michigan. Tax rates among employers vary depending on their experience with respect to unemployment.

2.2 Calculation of benefit amount

2.2.1 Calculation of weekly benefit amount (WBA)

4.1 per cent of high quarter wages during the base period plus USD 6 for each dependent up to 5 dependants in Michigan. The benefit is bound by a minimum WBA of USD 81 (USD 1 134 per year), and a maximum of USD 300 per week (USD 7 800 per year), in Michigan.

2.2.2 Income and earnings disregards

The benefit is not means-tested. Income from work less than or equal to gross benefit amount is withdrawn at a rate of 50 cents to the dollar. Earnings above gross benefit amount are subtracted from 1.5 times the gross benefit amount. Individuals earning more than 1.5 times their gross benefit amount are ineligible to receive benefits..

2.3 Tax treatment of benefit

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

2.4 Benefit duration

Duration of benefit is calculated by dividing 43% of reference earnings by the recipient's weekly benefit, with a minimum of 14 weeks and a maximum of 26 weeks for Michigan (additional federal extended benefits of 26 weeks were available from 10 March – 8 June 2002 and additional federal extended benefits of 13 weeks were available during the remainder of 2002).

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

Households who meet the income tests described below and who meet other requirements (such as sufficiently low assets and immigration rules, for example) are eligible for food stamp benefits. Able-bodied adults without dependants are eligible for 3 months of benefits in a 36-month period, unless they meet a work requirement (work 20 hours or more per week, or participate in a qualifying work activity). To be entitled to the benefit, households need to pass two income tests (except for households where all members receive TANF or SSI, who 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.

The net income guideline for a family of four in 2002 was USD 1 471 per month.

4.2 Calculation of benefit amount

4.2.1 Calculation of gross benefit

Basic (gross) monthly income is the cash household income. Earned income before federal, state and local taxes, and social security contributions is counted. 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 USD 30/quarter and income from tax refunds.

Counted (net) monthly income is computed as follows (2002):

Basic gross monthly income

\+ TANF

\+ Virtually all other cash assistance and retirement income

– Standard deduction: USD 134

– 20 per cent of gross earnings in recognition of taxes and work related expenses

– Court ordered child support payments made to non-household members

– Out-of-pocket medical expenses for elderly (aged 60 or more) or disabled household members in excess of USD 35

– Out-of-pocket child-care expenses up to:
Maximum per dependant under 2: USD 200
Maximum per dependant 2 or older: USD 175

– Rent and utility expenses if it exceeds 50 per cent of net counted income so far and with a maximum of USD 354. For calculation purposes, the average expenses in Michigan in 2002 was USD 444.

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).

Maximum monthly food stamp allotments (in USD per month)*

Household size (persons)	Maximum allotments	Gross income eligibility limit	Net income eligibility limit
1	135	931	716
2	248	1 258	968

3	356	1 585	1 220
4	452	1 913	1 471
5	537	2 240	1 723
6	644	2 567	1 975
7	712	2 894	2 226
8	814	3 221	2 478
Each additional person	+ 102	+ 328	+ 252

* Rates from 1 October 2001 to 30 September 2002.

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 Stamp benefits are issued monthly.

4.5 Treatment of particular groups

4.5.1 Young persons

None.

4.5.2 Older workers

Households with elderly (aged 60 and over) members: several program rules are relaxed for these households: they do not need to meet the basic (gross) income guideline; they are to have a shelter deduction greater than the maximum for other households; and they may have more countable assets than other households. Other administrative requirements are also relaxed.

Households with disabled members: in 2002 these households had the same program rules as the elderly except for the higher countable asset limit.

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 benefits for only three months in any 36-month period unless they work, meet work requirements, 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 assistance to low-income households through three mechanisms:

a) Low-rent public housing, which is owned by one of over 3 500 Public Housing Authorities (PHAs) authorised under state law.

b) Housing choice vouchers, which subsidise private-market rentals and are also administered by PHAs.

c) Direct contracts with some 20 000 owners of certain private projects.

5.1 Conditions for receipt

Housing assistance is not an entitlement. Access to assistance is rationed through waiting lists maintained by PHAs and private owners. These entities are permitted to select households for assistance according to preferences they themselves determine, subject to compliance with the civil rights laws and other statutes.

All assisted households must be low-income, which for purposes of housing programs means that gross annual income is less than 80 per cent of area median income. Area median income in the Detroit area was USD 69 900 in Fiscal Year 2002 for a family of 4, and USD 61 300 in Grand Rapids.

However, Federal admissions policies and the condition of the assisted stock generally limit the utilisation of assisted housing to families with very low incomes. For example, 75 per cent of new admissions to the voucher program must have incomes below 30 per cent of area median income.

Among the poorest families, not more than one-fourth of eligible households are assisted, and program participation declines as incomes rise.

5.2 Calculation of benefit amount

The contribution to rent of the assisted tenant is, in general, 30 per cent of adjusted income. The primary adjustments are USD 480 per year for each child and USD 400 per year for each elderly or disabled adult. Medical expenses greater than 3 per cent of gross income are also deducted, but only if the household has an elderly or disabled head or spouse. The tenant's contribution to rent is reduced by the amount of an allowance for monthly utility payments, which is specific to the area and basic characteristics of the unit.

For public housing, the Federal subsidy to the PHA is a formula amount intended to cover direct costs, minus the rent roll.

For housing choice vouchers, the amount paid to the owner is the difference between the reasonable rent (the rent paid by unassisted tenants for comparable units) and the tenant contribution. However, if the unit selected by the tenant has a rent exceeding the PHA payment standard, the tenant must pay the excess. The payment standard may be anywhere from 90 to 110 per cent of the Fair Market Rent (FMR) for the metropolitan area. The FMR in 2001 for Detroit was USD 723 per month for a two-bedroom unit; in Grand Rapids it was USD 601.

For project-based contracts with owners, the amount paid to the owner is the difference between the contract rent agreed upon with the Federal government and the tenant contribution.

Tenant contribution (prior to utility allowance) must exceed a minimum rent. For Federal contracts with private owners, the minimum rent is USD 25 per month. For public housing and vouchers, the PHA determines the minimum rent within a range between USD 0 and USD 50 per month, inclusive.

5.3 Tax treatment of benefits

Housing assistance is not taxable.

5.4 Benefit duration

There is no statutory limit on duration of assistance. Families may lose assistance through fraud, other criminal activity, or failure to comply with lease obligations.

5.5 Treatment of particular groups

Benefits are pro-rated to households with undocumented non-citizens. For example, a household with five members, of whom one is undocumented, would receive 80 per cent of the subsidy otherwise available.

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 Region 4/Wayne County-Michigan):

- 1 person: USD 276 *(i.e.* pregnant mother expecting first child)
- 2 people: USD 371
- 3 people: USD 459
- 4 people: USD 563
- 5 people: USD 659
- 6 people: USD 792
- 7 people: USD 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. In calculating the monthly benefit, Michigan disregards the first USD 200 of income earned plus 20 per cent of any additional earnings; across all states, the fixed income disregard ranges from zero to USD 250 and the variable disregard from zero to 100 per cent. In general, states with high fixed disregards tend to have smaller variable disregards and vice versa. 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

The major program for federal funding for child care services is the Child Care and Development Fund (CCDF). Under the CCDF, states receive grants from the federal government to operate child care subsidy programs. Additionally, there are two block grant programs that provide child care funding: Temporary Assistance for Needy Families (TANF) and the Social Services Block Grant (SSBG). TANF is the cash assistance program; states may transfer up to 30 per cent of their TANF block grant to CCDF or spend TANF funds directly on child care. The SSBG program provides funding to states for many social services including child care. CCDF requires States to serve families through a single, integrated child care system; TANF funds that are transferred into CCDF are part of those integrated systems; TANF funds used directly for child care and SSBG funds provide separate child care programs in some states and are integrated into the CCDF system in other states. Under CCDF, 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 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 immunizations; building and physical premises safety; and minimum health and safety training. Data are presented in this section from the most recent year available.

Another major source of support for child care services is the Child and Dependent Care Credit, which provides tax assistance to families who pay for child care in order to work in paid employment.

In Fiscal Year 2002, an estimated USD 11.6 billion of federal and related state funds was available for CCDF, TANF, and SSBG child care. The comparable figure for Fiscal Year 2001 was USD 11.2 billion. TANF and SSBG-funded children, for a total of 2.51 million children on an average monthly basis. Enrollment is not yet available for 2002. In fiscal year 2000, an estimated USD 2.8 billion provided assistance under the Child and Dependent Care Tax Credit to 6.4 million recipients (tax filers). The estimate for 2002 for the Child and Dependent Care Tax Credit is also USD 2.8 billion.

The State of Michigan was allocated USD 316.7 million in federal funds and USD 186.4 million in state funds for child care in FY 2001. This includes USD 136.8 in CCDF funds, USD 14.7 million in TANF funds transferred to CCDF, USD 165.2 million in TANF funds spent directly on child care and USD 186.4 million in state funds related to CCDF or TANF. The State reported serving about 115 000 children on an average monthly basis in FY 2001 through the various funding streams, including 50 100 children through CCDF funding. The State reported serving all those who had applied for child care assistance.

7.1 Conditions for receipt

Subsidies are for families receiving, leaving, or at risk of dependency on TANF, as well as low-income working families. Federal law provides each state with broad discretion in determining how its child care program will operate, such as setting eligibility guidelines, reimbursement rates, and co-payments. Federal law does currently limit the maximum level for eligibility to be 85 per cent of the State median income and requires States to give priority to very low income families. Parents must be working or attending a job training or education program, or the child must be in need of protective services. Typically a child must be under age 13 to be eligible. However, children with special needs may be eligible up to 19 years old. Five States set the level for eligibility at 85 per cent of State median income for Fiscal Years 2003; all five of these states had waiting lists. For a family of three, Michigan set the level of eligibility in Fiscal Year 2002 at 47.4 per cent of the State median income and had no waiting list.

7.2 Calculation of benefit amount

CCDF and TANF child care benefits amounts are set by the state and vary by income and number of children. The average monthly CCDF subsidy was USD 300 per child, and USD 508 per family, in Fiscal Year 2001, according to data reported on the ACF-801 form. (These averages include full and part-time care, and care by relatives as well as family day care homes and child care centers). The average monthly CCDF subsidy for full-time center-based care was USD 421 per child, where full-time is defined as >= 130 hours per month. In FY 2001, family co-payments averaged USD 54 per month; they averaged USD 58 per month for center-based full-time care (in families with one child in care). For families under 100 per cent of the federal poverty line, the monthly average was USD 28 (across all types of care); for families over 100 per cent of poverty but below 125 per cent of poverty, the average was USD 65; for families over 125 per cent of poverty but below 150 per cent of poverty, the average was USD 90; and for families over 150 per cent of poverty, the average was USD 117. In Michigan, the average monthly subsidy to the family per case was USD 570 in Fiscal Year 2001. For children in full-time center-based care, the average subsidy per child was USD 453 in Fiscal Year 2001. Child care is subsidised on a sliding scale in Michigan based on gross monthly income and family size. The State will pay 95 per cent of child care expenses if gross monthly income ranges from USD 0-1 496 for family size of 2 to USD 0-4 309 for family size of ten or more. The ceiling income for eligibility for a subsidy (30 per cent co-payment) ranges from USD 1 758 for family size of 2 to USD 5 069 for family size 10 or more. For a family of three, the State will pay 95 per cent of child care expenses if gross monthly income ranges from USD 0–1 847 and 30 per cent of child care expenses if gross monthly income ranges from USD 2 134 to 2 172. The State estimates that the current scale reflects a median range of 8 to 14 per cent of family income going toward child care expenses.

The Child and Dependent Care Credit provides tax assistance to families who pay for child care in order to work in paid employment. The amount of credit is based on income, the number of dependents, and the amount of child care expenses. Families with adjusted gross income of less than USD 10 000 are eligible to receive a child care credit of 30 per cent of qualifying child care expenses. Families with higher income receive a lower credit, with the rate falling to 20 per cent for individuals and couples with adjusted gross incomes above USD 28 000. In 2002, qualifying child care expenses are capped at USD 2 400 for one child and USD 4 800 for two or more children. Thus the maximum value of the credit is USD 720 for an individual or couple with one child and adjusted gross income below USD 10 000 and USD 1 440 for a low-income family with two or more children. The credit is not refundable and so families that do not pay taxes do not benefit from the credit. In Fiscal Year 2000, the average amount of credit was USD 439 per year.

7.3 Tax treatment of benefits

No states are known to treat CCDF or TANF assistance as taxable.

7.4 Benefit duration

There is no statutory time limit on CCDF assistance. Families may lose assistance if they no longer meet the eligibility standards. Research of subsidy duration in several states found that median duration ranged from a low of three months in one state to a high of seven months in another state.

7.5 Treatment of particular groups

States decide whether to target certain populations for CCDF subsidies. Eleven States indicate that first priority is given to families that include a child with special needs. Examples of other populations that are given special priority by one or more States are: families receiving or leaving TANF cash assistance, teen parents, families with medical emergencies, parents who are students in post-secondary education, parents in homeless or spousal-abuse shelters, children in protective services or in foster care, and children in need of before and after-school care. Families receiving or leaving TANF cash assistance also may have priority for TANF-direct child care subsidies, though such subsidies also are often provided to other families as well.

7.5.1 Young persons

See paragraph on treatment of particular groups.

7.5.2 Older Workers

None.

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 (or under 24 if full-time student, or any age if permanently or totally disabled) and childless working persons aged between 25 and 65 that meet certain income thresholds. (See section 10.1.1.)

9. Lone-parent benefits

None.

10. Tax system

10.1 Income tax schedule

10.1.1 Tax allowances and credits

- Basic relief: exemption of USD 7 850 for a married couple filing jointly; exemption of USD 6 900 for single heads of households, or USD 4 700 for single individuals.
- Exemption per person and dependent: USD 3 000 per person or dependent, reduced by USD 0.02 for each USD 2 500 by which the taxpayer’s income exceeds USD 206 000 for couples, USD 171 650 for heads of households, USD 137 300 for individuals).
- For each child under 17 claimed as a dependant, the taxpayer is entitled to a credit of USD 600, reduced by USD 50 for each USD 1 000 of gross income over USD 110 000 for couples and USD 75 000 for heads of households and individuals. The credit is refundable to the extent of 10 per cent of earned income in excess of USD 10 350.

- Low income credit: Earned Income Tax Credit – EITC. Low income workers with dependants are allowed a refundable (non-wastable) earned income credit. For taxpayers with one child, the credit is 34 per cent of up to USD 7 370 of earned income in 2002. For unmarried taxpayers, the credit phases down when income exceeds USD 13 520 (at a rate of 15.98 per cent) and phases out when it reaches USD 29 201. For married couples, the beginning and end-points of the phase-out range are, respectively, USD 14 520 and USD 30 201. The earned income threshold and the phaseout threshold are indexed for inflation. For taxpayers with two or more children, the credit is 40 per cent of up to USD 10 350 of earned income in 2002. For unmarried taxpayers, the credit phases down when income exceeds USD 13 520 (at a rate of 21.06 per cent) and phases out when it reaches USD 33 178. For married couples, the beginning and end-points of the phase-out range are, respectively, USD 14 520 and 34 178. In 1994 and thereafter, low income workers without children are eligible for the earned income credit. In 1999 low income workers without children are permitted a non-wastable earned income credit of 7.65 per cent of up to USD 4 910 of earned income. The credit phases down when income exceeds USD 6 150 (at a rate of 0.765 per cent) and phases out when income reaches USD 11 060. For married couples, the beginning and end-points of the phase-out range are, respectively USD 7 150 and USD 12 060. This credit is available for taxpayers at least 25 years old and under 65 years old.

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	Joint	Head of household	Tax rate (%)
0 – 6 000	0 – 12 000	0 – 10 000	10
6 000 – 27 950	12 000 – 46 700	10 000 – 37 450	15
27 950 – 67 700	46 700 – 112 850	37 450 – 96 700	27
67 700 – 141 250	112 850 – 171 950	96 700 – 156 600	30
141 250 – 307 050	171 950 – 307 050	156 600 – 307 050	35
307 050+	307 050+	307 050+	38.6

Local tax in Detroit:

- 2.65 per cent of gross income above a personal exemption. The exemption is USD 750 per family member.

State tax in Michigan:

- 4.1 per cent of gross income above a personal exemption. The exemption is USD 3 000 per family member. Michigan provides a credit for city taxes paid. If the city income tax paid is USD 100 or less, the credit is 20 per cent of the city income tax paid. If the city income tax paid is over USD 100 but not over USD 150, the credit is 10 per cent of the excess of the city income tax paid over USD 100 plus USD 20. If the city income tax paid is over USD 150, the credit is 5 per cent of the excess of the city income tax paid over USD 150 plus USD 25. The maximum possible amount of this credit is USD 10 000.

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 USD 84 900. 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 USD 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

In May 2001, Congress enacted the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), which reduced tax rates, created a new 10 per cent rate bracket, provided marriage penalty relief, increased tax benefits for families with children, and provided new incentives for education and retirement saving.

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. Reauthorisation of the TANF block grant is anticipated in 2003.