THE UNITED STATES
2001

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 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 2001 AW level in Michigan is USD 33 998.

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 6 months, 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% of the first USD 9500 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% 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 1134 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 may reduce the benefit to zero.

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

14 to 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

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 poverty guideline for a family of four in 2001 was USD 1 421 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 (2001):

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:

  max. per dependant under 2: USD 200

  max. 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 300. For calculation purposes, the average expenses in Michigan in 2001 was USD 486.

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 (USD per month)	Gross income eligibility limit (USD per month)	Net income eligibility limit (USD per month)
1	130	905	696
2	238	1 219	938
3	341	1 533	1 180
4	434	1 848	1 421
5	515	2 162	1 663
6	618	2 476	1 905
7	683	2 790	2 146
8	781	3 104	2 388
each additional person	+98	+315	+242

(rates from October 1st, 2000 to September 30th, 2001)

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

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 2001 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 3500 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. Among the poorest families, not more than one-fourth of eligible households is assisted, and program participation declines as incomes rise. All assisted households must be low-income, which for purposes of housing programs means that gross annual income is less than 80 percent of area median income. Area median income in the Detroit area was USD 66 500 in Fiscal Year 2001 for a family of 4, and USD 58 500 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 (less than 50 percent of area median income).

5.2 Calculation of benefit amount

The contribution to rent of the assisted tenant is, in general, 30 percent 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 percent of gross income are also deducted, but only if the household has an elderly or disabled head or spouse.

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 percent 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.

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 percent 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. 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 percent of their TANF block grant to CCDF or spend TANF funds directly on child care within the TANF program. 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. 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 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. Data are presented in this section from the most recent year available.

In Fiscal Year 2001, USD 11 billion of federal and state funds was available for child care, including CCDF, TANF, and SSBG. In Fiscal Year 2000, States served 1.75 million children with CCDF, plus .7 million TANF- and SSBG-funded children, on an average monthly basis, which is 28 percent of children estimated as eligible under state rules. The average annual subsidy for Fiscal Year 2000 was between USD 3300 and 3400 for CCDF.

The State of Michigan spent USD 225.9 million in federal funds and USD 210.1 million state funds on child care in FY 2001. In Michigan, 221,200 children were eligible for assistance under October 1999 state rules. On average, about 28,000 children were served monthly under CCDF in Fiscal Year 2000, 13 percent of those eligible. The State reports serving about 115,000 children on average monthly in FY 2001 through the various funding streams.

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 mandates the maximum level for eligibility to be 85 percent 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. Typically a child must be under age 13 to be eligible. However, children with special needs may be eligible up to 19 years old. Within these federal regulations, states have broad discretion in determining how its child care program will operate, such as setting eligibility guidelines, reimbursement rates, and co-payments. Nine states set the level for eligibility at 85 percent in Fiscal Year 2000. For a family of three, Michigan set the level of eligibility in Fiscal Year 2001 at 56.6 percent of the median income and had no waiting list.

7.2 Calculation of benefit amount

Benefits amounts are set by the state and vary by income and number of children. Child care is subsidised on a sliding scale in Michigan based on gross monthly income and family size. In Michigan, the average monthly subsidy to the family per case was USD 570 in Fiscal Year 2001. The State will pay

95 percent of child care expenses if gross monthly income ranges from USD 0 - 1496 for family size of 2 to USD 0 - 4309 for family size of ten or more. The ceiling income for eligibility for a subsidy (30 percent co-payment) ranges from USD 1758 for family size of 2 to 5069 for family size 10 or more.

7.3 Tax treatment of benefits

No states are known to treat this assistance as taxable.

7.4 Benefit duration

There is no statutory time limit on the assistance. Families may lose assistance if they no longer meet the eligibility standards.

7.5 Treatment of particular groups

7.5.1 Young persons

None

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 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 7 600 for a married couple filing jointly; exemption of USD 6 650 for single heads of households, or USD 4 550 for single individuals;

- Exemption per person and dependent: USD 2 900 per person or dependent, reduced by USD 0.02 for each USD 2 500 by which the taxpayer's income exceeds USD 199 450 for couples, USD 166 200 for heads of households, USD 132 950 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 percent of earned income in excess of USD 10,000.

- 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 7 140 of earned income in 2001. The credit phases down when income exceeds USD 13 090 (at a rate of 15.98%) and phases out when it reaches USD 28 281. 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 10 020 of earned income in 2001. The credit phases down when income exceeds USD 13 090 (at a rate of 21.06%) and phases out when it reaches USD 32 121. 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 4 760 of earned income. The credit phases down when income exceeds USD 5 950 (at a rate of 0.765%) and phases out when income reaches USD 10 710. 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 HH	Tax rate(%)

0 –27 050	0-45 200	0-36 250	15
27 050 – 65 550	45 200 – 109 250	36 250 – 93 650	27.5
65 550 – 136 750	109 250 – 166 500	93 650 – 151 650	30.5
136 750 – 297 350	166 500 – 297 350	151 650 – 297 350	35.5
297 350+	297 350+	297 350	39.1

In 2001, taxpayers are also eligible for a nonrefundable rate reduction credit that was equal to USD 300 if single, USD 500 if head of household, and USD 600 for joint filers.

Local tax in Detroit:

- 2.75% of gross income above a personal exemption. The exemption is USD 750 per family member

State tax in Michigan:

- 4.2 per cent of gross income above a personal exemption. The exemption is USD 2 900 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 80 400. 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 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 percent rate bracket, provided marriage penalty relief, increased tax benefits for families with children, and provided new incentives for education and saving. Effective in 2001, tax rates were reduced, and the child tax credit was expanded. In 2001 only, taxpayers were eligible for a nonrefundable rate reduction credit, which provided them with the benefits of the new 10 percent rate bracket.

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.