U.S. Chamber of Commerce Foundation

SELDIN | HARING-SMITH FOUNDATION

Benefits Cliffs: Effects on Workers and the Role of Employers

A Project of the U.S. Chamber of Commerce Foundation
with support from the Seldin/Haring-Smith Foundation

Author:
Mathieu Despard, Ph.D., MSW
University of North Carolina at Greensboro

Contents

Executive Summary

In this report, we examine benefits cliffs – the loss of eligibility for public safety-net programs and benefits they provide as income rises above eligibility limits. Benefits cliffs can significantly impact lower-wage workers and their families financially and may act as a disincentive for pursuing modest promotions, incremental raises, and career development. Based on a review of numerous studies, reports, briefs, and expert interviews, we offer the following key perspectives:

1. Some cliffs are more significant than others. Certain public benefits like the Earned Income Tax Credit have a gradual income phaseout, while others like Medicaid result in an abrupt and total loss of the benefit.
2. Workers pay a high "tax" on increased earnings. Effective marginal tax rates (EMTRs) associated with benefits cliffs vary from 17% to 65%. Workers are taking "two steps forward, one step back" when earnings increase.
3. Benefits cliffs can impact families financially. Because eligibility for these programs end and the related benefits are no longer available, families' total net financial resources (NFR) do not rise at the same rate as earnings.
4. Benefits cliffs have a more severe impact on workers with incomes 100 to 150% and 200 to 250% of the federal poverty level and families with young children.
5. The harshest cliffs involve the loss of childcare and housing subsidies. The loss of these benefits is very difficult for workers and their families because childcare and housing are otherwise quite expensive for many Americans. Even more unfortunate, most workers eligible for these subsidies never receive them due to a lack of funding to meet demand.
6. A coverage gap exists between Medicaid and Affordable Care Act (ACA) marketplace subsidies for workers in states that have not expanded their Medicaid programs. For individuals that are in this coverage gap, it is particularly challenging to access affordable health coverage. Transitioning from Medicaid or ACA subsidies to employer-sponsored health coverage means workers may experience an increase in insurance premiums.[i]
7. For many workers, earnings alone are not enough to achieve financial stability.
8. Research evidence is mixed about the impact that benefits cliffs have on the number of hours affected individuals work. The EITC income phaseout has a negligible effect on hours.

To address these challenges, we outline a set of policy recommendations employers could support, such as increasing eligibility income limits, phasing out benefits more gradually to mitigate challenges associated with the immediate and complete loss of safety net supports, and offering transitional benefits. We also describe steps employers themselves can take to lessen the impact of cliffs on lower-wage workers.

[i] It should be noted that an increase in premiums by moving to employer-sponsored health coverage may result in different or improved coverage and does not necessarily equate to paying for the same or less coverage.

Introduction

Benefits cliffs are a problem of growing concern among workers, employers, and policy makers. When wages rise, lower-wage workers may experience a complete loss or reduction in public benefits because their income exceeds eligibility limits for these benefits. The scope of this problem is significant:

- Nearly 70% of public benefits - such as childcare, food, and housing subsidies - go to non-elderly employed individuals, and
- Over half of workers in the bottom 20% of the wage distribution receive benefits from the public programs.[1]

Benefits cliffs pose a challenge to employee financial stability and a barrier to career development with many workers choosing to turn down promotions and raises for fear of losing benefits. Not all cliffs are the same. Some benefits like the Earned Income Tax Credit (EITC) gradually phase out as income rises, while other benefits like Medicaid are terminated once recipients exceed the income eligibility limit.

This brief aims to answer the following questions about benefits cliffs for workers:

1. How do benefits cliffs impact workers and their families?
2. What are the characteristics and varying impacts of different types of benefits cliffs?
3. Do benefits cliffs create a work and productivity disincentive?
4. What strategies are employers and other organizations using to help workers transition through changes in eligibility for public programs? What additional assistance could employers offer to help workers impacted by benefits cliffs?
5. What public policies might employers support to reduce the adverse effects of benefits cliffs? What additional research would help inform changes in public policies and/or private sector action?

To answer these questions, this brief uniquely synthesizes research evidence and data points across numerous academic research papers, think tanks, foundations, and government reports and distills this information from 14 content expert interviews.

How do benefits cliffs impact workers and their families?

The short answer to this question is it depends on the benefit:

Benefit	Cliff severity	Cliff effect
Childcare subsidies	●●●●○	Difference between the monthly copayment and the market rate.
Housing choice vouchers	●●●●●	Difference between paying 30% of income on rent and the market. Loss of subsidy after a 50% earned income disregard in the second year of the rise in income.
Supplemental Nutrition Assistance Program	●●○○○	Benefits phaseout with increased income at a rate of 24 to 36% for most households.
Earned Income Tax Credit	●○○○○	The value of the credit phases out gradually as income rises (21% phaseout rate).
Temporary Assistance for Needy Families (TANF)	●●●●○	Eligibility for the cash benefit ends once income exceeds limits in most states.
Medicaid/CHIP	●●●○○	Eligibility for this program ends once income exceeds limits. Other options for coverage depend on the state but could include access to subsidized coverage through the ACA marketplace. However, in states that declined to expand Medicaid, access to coverage may be more expensive for workers who are offered employer-sponsored health insurance.
Supplemental Security Income (SSI)	●●●○○	First $85 of earnings is disregarded followed by 50% benefit reduction for earnings up to income limit before total loss of benefit (including Medicaid) once the income limit is exceeded.
Social Security Disability Income (SSDI)	●●○○○	9-month trial work period (TWP) with no reduction of benefits followed by Extended Period of Eligibility (EPE) during which benefits continue if monthly earnings do not exceed $1,350. Once EPE expires and income exceeds limits, there is a 3-month grace period during which benefits are received until terminated (including Medicare).

Each of these major public benefit programs and their cliff effects are described in greater detail in Appendix A.[ii] These descriptions are important for understanding the implications that these cliffs may have for workers.

Less than half of all workers say their compensation is keeping pace with rising living expenses and over half say they are experiencing stress due to their finances.[2] These challenges are more significant for workers who experience benefits cliffs.

A common way to understand the financial impact of benefits cliffs on workers and their families are **effective marginal tax rates (EMTRs)** - the value of a reduction in benefits and increased taxes as a percentage of new earnings. A reduction of 40 cents in benefits and an increase of 10 cents in income taxes based on a $1 increase in earnings equals a 50% EMTR.

Another way to assess benefit cliff impacts is to consider how households' **net financial resources (NFR)** change as earnings rise. NFR is defined as:

(Earned income + value of public benefits) – (major living expenses + income taxes)[3]

NFR can be thought of as households' ability to "get ahead" financially – to have money left over after covering usual expenses like rent and food, as well as efforts to save, reduce debt, make large purchases, pay for car and home repairs, and work toward long-term financial goals. NFR is also a useful concept because it reflects a household's ability to be financially stable – to reach a point at which earnings alone are enough to pay for living expenses, an important goal given the current high rate of inflation.

The severity of benefits cliffs as reflected in EMTRs and changes in NFR vary based on the following factors:

1. Number of public benefits for which an individual or family is eligible and receives[iv]
2. Income
3. Household composition (including presence of other adult earners)
4. State in which the individual or family resides

[ii] There are additional programs that benefit workers such as the Child Tax Credit and Child and Dependent Care Tax Credit that phaseout at high income levels and thus are not described here.

[iii] 8.5% for the 12 months ending July 2022.

[iv] The individual or family must know about the benefit, apply, and be determined eligible to receive it.

Number of benefits received

The greater the number of public benefits a household receives, the greater the potential financial loss as income rises. Benefits cliffs may be overstated when the assumption is that the individual or family receives all public benefits for which they qualify.[4] Only 1 in 6 and 1 in 4 families who are eligible for childcare and housing subsidies, respectively, actually receive them, due mostly to a lack of funding that restricts supply.[5] Even for entitlements like the EITC and SNAP that have no supply constraints, not all eligible individuals and families receive them. SNAP has a national take-up rate of 74% among working households with a range of 55% to 99%, which may reflect differences among states concerning marketing, awareness, and application ease.[6]

Income

EMTRs vary across certain bands of income. For example, within an income range of $13,650 to $17,830 in 2014, workers receiving the EITC, CTC, and SNAP (a common "bundle" of benefits), EMTRs range from 17 to 44%, yet jump to as high as 65% for the next highest income band ($17,831 to $25,000).[7] In Hamilton County, Ohio, a single mother with one preschooler and one infant would lose SNAP, Medicaid, housing subsidies, and utility subsidies when income rises from $22,000 to $40,000.[8]

Benefits cliffs are greatest at incomes between 100% and 150% of FPL and 200% and 250% of FPL.[9]

EMTRs of 100% - where an increase in income would be completely offset by the loss and/or decrease in public benefits, resulting in no increase in total income, are uncommon. For example, among recipients of Temporary Assistance for Needy Families (TANF) who had starting incomes below the federal poverty level and $2,300 in new earnings, only 1%, 3%, and 5% of families would experience an EMTR of 100% in Colorado, Minnesota, and New York, respectively.[10]

EMTRs associated with benefits cliffs mean that increases in household NFR does not keep pace with increases in earnings. For example, NFR for a household with one adult and one preschooler in Hamilton County, Ohio, rises at a much slower pace than earnings due to benefits cliffs and do not begin to keep pace with earnings until $40,000 in annual wages.

Benefits cliffs can be especially harsh when a worker goes from part- to full-time. In Ohio, going from part- to full-time work at $12 an hour would result in only an additional amount of hourly income of $1.72 to $2.69.[11]

Families can also experience "mini cliffs" as income rises. A family in Ohio whose income exceeds 211% of FPL loses healthcare coverage for their children and must begin paying for employer-sponsored family coverage ($418) in addition to experiencing an increase in childcare subsidy copayments ($94).[12]

Benefits cliffs also depend on how stable income is and how often recipients are required to recertify to continue receiving benefits. Almost 40% of working age low-income adults who may qualify for public benefits have income that rises or falls by more than 25% during half the year.[13] Thus, many workers may cycle on and off public benefits with frequent changes in monthly income.

Household composition

Benefits cliffs are greater for families with children who qualify for additional benefits like childcare subsidies and CHIP and thus have more economic value to lose as their income rises. Two-earner households likely cycle on and off benefits at a higher rate than single-earner households due to more frequent changes in income, especially families with children who juggle work and caregiving obligations. For example, in families with school-age children, one parent may reduce work hours during the summer and increase hours once school resumes in the fall.

State of residence

For many public benefit programs, states have different income eligibility limits and rules concerning increases in income. Consider the following scenarios of the Ellis family - a household with two parents in their 30s and two children, ages 4 and 9.

In Durham County, NC, the value of a common bundle of public benefits for the Ellis family – EITC, SNAP, and subsidized health coverage – decreases as earnings increase (see Figure 1). From employment income of $11,000 to $27,000 the parents experience a gap in health coverage between Medicaid and ACA subsidies because North Carolina is a non-expansion state for Medicaid.

Figure 2 reveals that NFR increases as earned income increases, except for two distinct cliffs:

- A loss of $10,326 in the annual value of Medicaid benefits when earned income reaches $11,000
- A loss of $7,552 in the annual value of SNAP benefits when earned income reaches $35,000

While NFR increase with earned income, it is not until earned income reaches $84,000 that NFR becomes positive.

In contrast, consider if the Ellis family moved to Durham town, NH (see Figures 3 & 4). A few things change that reflect differences in state policies:

- Because New Hampshire is a Medicaid expansion state, the Medicaid-ACA coverage gap disappears
- The SNAP cliff is lower - $3,952 – and does not occur until earned income reaches $50,000
- NFR increase more steadily and become positive at a lower earned income level

Figure 1. Public Assistance by Employment Income – Durham County, NC

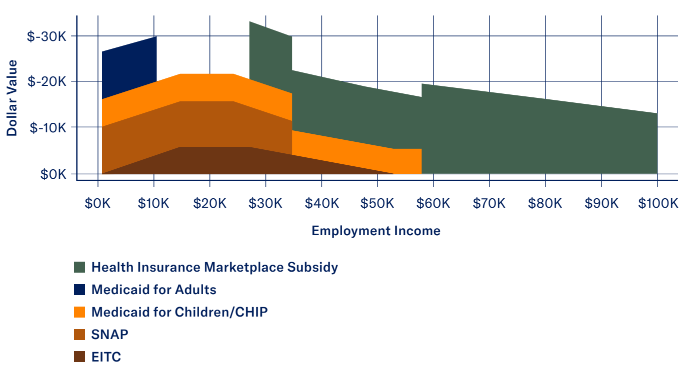
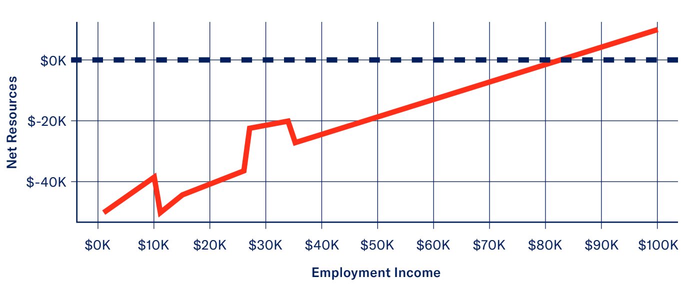


Figure 2. Net Financial Resources – Durham County, NC



Source: Federal Reserve Bank of Atlanta, Policy Rules Database.[14]

Figure 3. Public Assistance by Employment Income – Durham town, NH

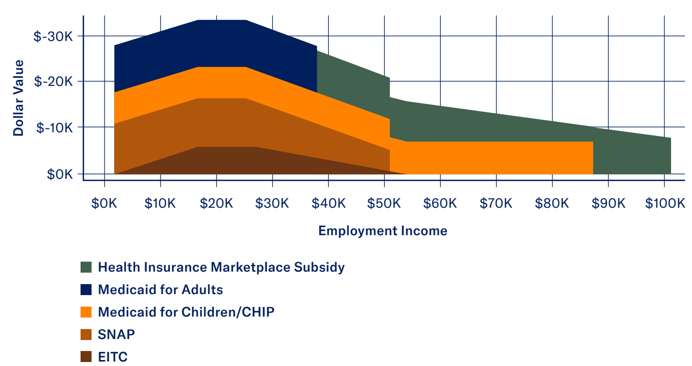
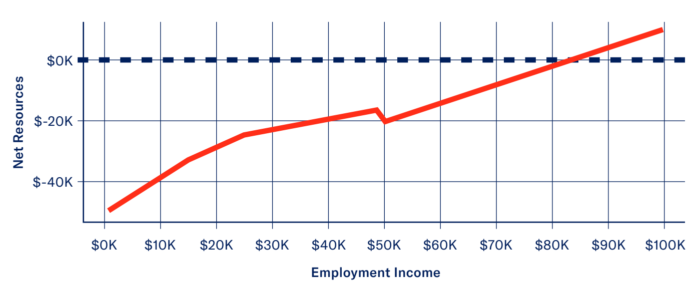


Figure 4. Net Financial Resources – Durham town, NH



Source: Federal Reserve Bank of Atlanta, Policy Rules Database.[15]

Benefits cliffs and financial stability

The combination of earned income and public benefits may allow households to be financially stable – to have enough income to meet all their basic needs such as housing, food, healthcare, and transportation. Financial stability income standards are different for each community to reflect local and regional differences in cost of living.[16] For example, a family of four in Maricopa County, AZ would need income of nearly $67,000 to afford basic living expenses.

Benefits cliffs may drop households below the financial stability standard for their community. In Franklin County, Ohio, this same type of household would drop below the financial stability threshold at $11.36 per hour when the parent transitions from Medicaid to ACA. At just $17,000 in earnings, a family in Ohio could reach a $42,000 annual income financial stability standard thanks to also receiving public benefits. Yet this family would drop back below this standard when their annual earnings reached $22,000 and would not rise back to the standard until earnings reached $33,000.[17]

How workers experience benefits cliffs

Qualitative research reveals important insights about how employees navigate benefits cliffs. A 2016 study of benefit recipients in Cincinnati found that none of the recipients made a job or career decision based on impending benefits cliffs. Instead, these workers said they needed help in making the transition from public benefits to wage gains, such as budgeting for food amidst a loss in SNAP benefits, and that they felt worse off financially despite wage gains. Though workers preferred not to receive public benefits, they felt unprepared in losing these benefits.[18]

Conversely, among a sample of 332 lower-income families in Colorado, 33% said they declined an opportunity to increase their income to avoid losing their childcare subsidies, including turning down raises, not taking extra hours at work, and not taking job offers. Many of these parents knew precisely how much income they could have before they lost their subsidies and estimated that it would take receiving a raise of at least $4 an hour for them to risk losing their childcare subsidy.[19] In a different study of families in Colorado engaged in the Colorado Cliff Effect Pilot Program, most parents interviewed said they turned down raises or adjusted work hours to avoid losing their subsidy. Parents also cited unaffordable housing as a major stressor.[20]

Another issue is that workers may fear not being able to re-enroll in certain benefits programs should their earnings fall in the future.[21] Workers may experience confusion about benefits cliffs, such as assuming that any type of employment will result in a loss of benefits.

Losing Childcare Subsidies: An Especially Harsh Benefit Cliff

Childcare is expensive and losing childcare subsidies can be disastrous. In Illinois, a family of one parent and two children would lose a $25,481 subsidy when their income rose from $54,000 to $55,000 – a drop in NFR of $24,481. Before losing their subsidy, this family paid 6.75% of their income on childcare via copayments. After losing their subsidy, they would spend 53% of their income on childcare – more than 7 times the federal maximum of 7% of income. Only 16% of families in Illinois with income at the cliff (i.e., where income just exceeds eligibility limits) can afford market rates for childcare without sacrificing other basic needs.[22]

Due to the limited supply of childcare subsidies, experts interviewed for this brief noted that families worry that should they lose childcare subsidies, they may not be able to regain them if their income dropped and they became eligible again.

Families depend on childcare to work. A 10% reduction in the net cost of childcare is estimated as having a 2% increase in the employment rate.[23] The loss of a subsidy may force families to turn to informal forms of care that are less expensive, but may be less reliable, which may interfere with work. Children's development may suffer in less expensive but lower quality informal care.

Families with young children are most vulnerable to cliffs

Caring for young children (<six years) is emotionally and physically challenging and expensive for workers. The younger the child, the more expensive the childcare. Because universal education in the U.S. does not start until kindergarten, families are left to pay for childcare. Households with young children have more expenses in general while parents are younger and in the early part of their careers with lower and less stable incomes. These factors help explain why poverty rates are higher among households with children and highest among households with young children[24] - especially those headed by one parent.

Cliff effects on labor supply

Most quantitative research on the relationship between the receipt of public benefits and labor supply is on the extensive margin – how public benefits affect the choice to work. For example, the EITC has proven effective in encouraging individuals to join the workforce.[25,26,27,28,29] Among single mothers, EITC has a positive effect on employment and earnings.[30] A key reason the EITC has been effective in promoting work is that the value of the credit – which is fully refundable – rises steeply with earned income.

Concerning the effects of public benefits on the intensive margin – the number of hours worked among those already in the labor force – workers may avoid additional work hours or turn down raises for fear of losing benefits. Yet a 2011 review of studies found that most public benefit programs have only a modest negative effect on hours worked. [31]

How benefits cliffs affect work choices depends on the program and the circumstances of workers and their families.[32] For example, the effect of the **EITC** phase out (which is gradual and estimated at 21%[33]) on employment and hours worked is non-existent or low.[34,35,36,37,38,39] That is, when EITC recipients' benefit amounts decrease as their earnings increase, they do little to adjust their work hours, especially among primary compared to secondary earners.

Similarly, a review of studies concerning **SNAP** found non-existent or low effects on work effort.[40] A different study found no effect of SNAP on work effort among the full sample but found that women heads of single-parent households decrease their work hours when they begin to receive SNAP benefits.[41]

A study concerning the receipt of **Supplemental Security Income (SSI)** for children living with disabilities found parents make up for the loss of benefits with increased earnings mostly on the intensive margin.[42]

However, work hours decrease amidst wage gains among single mothers who receive **childcare subsidies**[43] compared to those who do not receive subsidies, suggesting that parents fear losing and being unable to later regain these subsidies.

Concerning workers living with disabilities, because SSI and SSDI include automatic eligibility for **Medicaid** and **Medicare**, respectively, these workers may be particularly concerned about losing SSI and SSDI benefits if their earned income exceeds eligibility limits. The Benefit Offset National Demonstration (BOND) encourages **Social Security Disability Insurance (SSDI)** recipients to return to work by testing the effects on employment and earnings of a gradual reduction in SSDI benefits versus an abrupt loss of benefits - a $1 decrease in benefits for every $2 earned above the earned income limit. The study found no conclusive evidence of an impact on average earnings, yet the benefit offset increased the proportion of SSDI recipients with earnings above the earned income limit by 7% in Stage 1 and 23% in Stage 2 of the experiment, which also offered enhanced work counseling. Study authors attributed the lack of impact on earnings to limited work capacity among recipients and the 50% EMTR on earnings as too low an inducement.[44]

Another way to understand labor supply effects of public benefits is to consider various micro simulations of policy proposals aimed at reducing child poverty. A series of these studies[45] found the following labor supply effects:

- A 40% increase in the phase-in and phase-out rates for the **EITC** would result in a slight reduction in work effort and a 1% decline in employment among married, but not single mothers.
- Making the **Child and Dependent Care Tax Credit** refundable and ending the credit at $70,000 in Adjusted Gross Income (AGI) would result in a slight decrease in employment among married mothers but increased employment among single mothers.
- Expanding funding for childcare subsidies through the **Child Care and Development Fund (CCDF)** would have no effect on employment among married mothers while increasing employment among single mothers.
- Expanding access to **Housing Choice Vouchers (HCV)** so 50% of eligible individuals would receive them would result in a 3% decline in employment among female heads of households.

The overall evidence concerning the effects of benefits cliffs on work effort is perhaps summed up by this statement from a 2022 Urban Institute study[46]:

> "Parents want to work and often take new employment opportunities as they arise regardless of expected changes to benefits and taxes, but the situation is seen as risky and mired in uncertainty."

Still, the risk and uncertainty associated with benefits cliffs make it difficult for lower-wage workers to follow certain **career advancement** pathways:

A Home Health Aide in Nebraska earns the median wage of $12.39 an hour and later advances to a position as Certified Nursing Assistant (CNA) after completing a certification program to earn the median wage of $14.03 an hour. Yet due to losing childcare subsidies because their CNA wage pushes them over the income limit, they experience a loss of over $600 in net financial resources.

Other losses in benefits are easier to navigate during career advancement:

A Phlebotomist in Texas who advances to become a Licensed Practical Nurse (LPN) experiences a jump of over $6 an hour in median wages, which is enough to make up for losses in housing assistance and Children's Health Insurance program (CHIP) benefits.[47]

Workforce development and career counselors note that public benefit eligibility rules are unclear and that it is challenging to help participants find jobs that pay enough to offset benefits cliffs.[48]

Initiatives to address cliffs

Federal Reserve Bank of Atlanta CLIFF dashboard

The Federal Reserve Bank of Atlanta created the Career Ladder Identifier and Financial Forecaster (CLIFF) Suite of Tools, including the CLIFF dashboard, to help workers understand and anticipate benefits cliffs. The Atlanta Fed is engaged with more than 75 local efforts in 22 states involving nonprofit organizations, employers, and local government agencies to use the CLIFF dashboard, such as the United Way Aloha, Buffalo Niagara Partnership, and Goodwill Industries of the Southern Piedmont. The dashboard is being used by employment counselors and specialists to develop career plans and by workforce development partnerships to guide local and regional planning efforts, such as the Alabama Office of the Governor and state workforce system and CareerSource Florida, Inc. In addition, the Federal Reserve Bank of Richmond is partnering with the Atlanta Fed to use the CLIFF Suite in Maryland, North Carolina, and Virginia to assist organizations such as the City of Richmond, Virginia Goodwill Network, and United Way of Central Maryland.[49]

Leap Fund

Leap Fund is a New York, NY based organization solely focused on addressing benefits cliffs. They work to find, bridge, and eliminate benefits cliffs nationally, by helping employers understand and respond to benefits cliffs among their employees, providing training and support for nonprofit organizations that offer coaching to help clients understand and navigate cliffs, and using data about benefits cliffs to advocate for policy changes. For New York State employers, Leap Fund is in process of launching a pilot project to allow workers to accept promotions and raises without losing public benefits.[50]

Benefits21

Benefits21 is a cross-sector initiative led by the Aspen Institute Financial Security Program to promote innovation to "close benefit gaps" and "modernize public- and private-sector benefits to ensure the financial security of all workers".[51] Recent work includes a summary of a roundtable dialogue among business leaders, worker advocates and other stakeholders,[52] a report about what a modernized system of benefits might look like,[53] and a scorecard for public and private benefits.[54]

Financial coaching and workplace navigation organizations

Nonprofit organizations such as Neighborhood Trust and WorkLife Partnership offer services through the workplace that can help employees navigate benefits cliffs. Neighborhood Trust's TrustPlus program[55] is offered as a workplace benefit, while WorkLife Partnership offers Resource Navigation services through employers to help employees address various needs such as childcare, transportation, and benefits.[56]

Policy options for addressing benefits cliffs

A basic problem related to benefits cliffs is that most public benefits are not designed as in-work benefits[v], the EITC being a notable exception. Public benefits are designed to encourage labor market entry, but not employment retention, career development, and economic stability and mobility – including the ability to withstand fluctuations in income and avoid hardship.

Before considering policy options regarding benefits cliffs, it is important to define the desired impact of policy changes on workers, which should include:

1. **Financial Stability**:
   The combination of public benefits and earned income is enough for workers to reach the financial stability standard for their community and to meet basic needs when experiencing changes to income.

2. **Economic Mobility:**
   Individuals and families' net financial resources (NFR) ought to increase at the same or a similar rate as earnings increase so work and productivity are incentivized, and households experience economic gains from work that help households build assets and increase net worth.

From the *employer* perspective, addressing benefits cliffs to shore up employees' *financial stability* may help ensure that work attendance and productivity are not harmed due to acute financial distress. Addressing cliffs to promote employees' *economic mobility* may help support workforce development and ensure that increased productivity is sufficiently incentivized.

Broad-based strategies

1. **Increase transparency and knowledge about benefits cliffs.** Many public benefits recipients do not know about cliffs until they experience one. State agencies should assess their benefits cliffs, share results with the public, and use a benefits cliffs calculator to help recipients understand and anticipate cliffs. State assessments can lay the foundation for policy changes described below.

2. **Raise income limits.** Limits should be indexed to financial stability standards to ensure that individuals and families can support themselves financially on earnings alone once they lose public benefits.

3. **Phaseout benefits more gradually.** Rather than an abrupt loss of benefits, recipients should receive gradually lower amounts of benefits as their income rises to the income limit. Good examples of this include the EITC which has a modest phaseout rate of 21%[57] and enhanced ACA marketplace subsidies which help individuals avoid large premium increases.[58] Sliding scale co-payment schedules for childcare subsidies and Medicaid premiums are additional methods for phasing out benefits.

4. **Use continuous enrollment.** Use certification periods of at least six months and do not require recipients to report changes in income until the end of the period. When it is time for workers to recertify for benefits, average income over the certification period should be used rather than income at the point of recertification. These steps are particularly important for workers who experience income volatility.

5. **Align eligibility rules and offer a common application.** Individuals and families should not have to apply for multiple benefits, each with a distinct set of rules. A common application and set of eligibility standards should be used for all public benefits. As an interim measure, programs should make more use of presumptive eligibility (i.e., if you are eligible for the EITC, you are also eligible for SNAP or childcare subsidies).

[v] Conversely, the federal government uses the tax code to support the provision of employer benefits such as pre-tax health insurance premiums, Health Savings Accounts, and tax-advantaged defined contribution plans.

6. **Eliminate the "Time Tax."** Recipients spend far too much time applying and recertifying for public benefits. A common application will help reduce the time tax, yet applications and recertifications should be much shorter, simpler, and streamlined.[59] For example, public agencies could receive up-to-date electronic earned income data from employers, and payroll providers in lieu of requiring workers to produce pay stubs as an extension of efforts to improving data exchange between government and employers through efforts like the U.S. Chamber of Commerce's JEDx initiative.[60]

7. **Offer transitional benefits.** Allow individuals and families to continue to receive public benefits for up to 12 months after their income exceeds eligibility limits.

8. **Eliminate asset tests.** Individuals and families should be allowed to build savings and other assets without losing public benefits. This will help families have financial resources to help ease the transition off public benefits. Rules concerning asset exclusions should be uniform across programs and include exclusion of retirement savings and investments.

9. **Offer additional income support.** Steps such as expanding state Earned Income Tax Credits[61] , child allowances[62] (including making the expanded Child Tax Credit[63] permanent), and various basic income proposals would give individuals and families additional financial slack to help navigate benefits cliffs. Additional income support gives individuals and families choice and flexibility to meet needs that other public benefits do not.

10. **Offer income support during job training.** Many workers who want to improve job skills to support career advancement decide not to because they cannot support themselves financially for the time it takes to complete a short-term certification or occupational training program. While public benefits such as SNAP and TANF offer some support in these circumstances, amounts are too low for most families to afford to stop work and engage in training. One solution is to expand the Pell Grant program to cover occupational training.[64]

Examples of states that have implemented or proposed some of these policy options include:

- **Kentucky:** signed House Bill 708 into law in April 2022, which directs the Cabinet for Health and Family Services to create a benefits cliff calculator and a task force to assess cliff effects and identify best practices for helping individuals transition off public benefits and become financially self-sufficient.[65]
- **Ohio:** increased the exit income threshold for childcare subsidies to 300% of FPL with no time limit for receiving subsidies and implemented the Benefits Bridge pilot program through the Department of Job and Family Services in six counties to offer a $3,000 employment retention bonus meant to help new workers cope with benefits cliffs.[66]
- **Massachusetts:** implemented earnings disregards through the Department of Transitional Assistance[67] and a common online application for SNAP and MassHealth benefits.[68]
- **Rhode Island:** through its 2022-2024 Child Care and Development Fund (CCDF) plan established a minimum 12-month eligibility and redetermination period[vi], streamlined redetermination processes for families, and a sliding fee scale for co-payments to phase-out benefits more gradually.
- **Vermont:** through its 2022-2024 CCDF plan increased maximum income to 350% of FPL and offers a sliding fee scale for co-payments.
- **Florida:** offers a more gradual phase out of childcare subsidies when families exceed income limits through the Families' Ascent to Economic Security (FATES) initiative of the Florida Children's Council.[69]
- **Colorado:** as authorized by the state legislature, the Colorado Cliff Effect Program allowed 10 counties to implement various changes to childcare subsidy programs, such as a more gradual benefit phase out via the copayment structure.[70]
- **Maine:** offers 6 to 12 months of transitional MaineCare (health coverage) benefits for parents whose income exceeds eligibility limits.[71]
- **New York:** Senate Bill S6589A would establish a 100% earned income disregard and a full continuation of benefits for six months for individuals completing an education or training program and transitioning to work.[72]
- **Minnesota:** Launched an integrated benefit application in partnership with Code For America which allows individuals to apply for multiple benefit programs in less than 20 minutes.[73]

Sources consulted for the above list of policy options and examples:[74,75,76,77,78,79,80]

[vi] Families will not lose childcare benefits when their income exceeds state income limits within a 12-month period if income does not exceed the federal limit of 85% of median income.

Program-specific policy options

1. **Increase funding for Child Care and Development Fund.** As reflected above, most policy actions and proposals are related to childcare subsidies. Similarly, the Women's Fund of the Greater Cincinnati Foundation published a comprehensive list of proposals (N=89) to address benefits cliffs in 2019, with childcare subsidies being the most common focus of proposals.[81] Increased funding for the CCDF will allow states to lift income guidelines without having to ration care. For example, a family of 3 with an income at 200% of FPL ($43,920) could not qualify for childcare subsidies in 30 states in 2021.[82] Increased CCDF funding would also allow states to lower childcare subsidy copayments. In over a third of states, copayments for childcare subsidies are greater than 7% of household income, exceeding the level recommended by the federal government.[83]

2. **Index childcare subsidy exit income limits to local childcare costs.** Currently, CCDF income limits are set to 85% of state median income, which fails to reflect considerable local variation in childcare costs.[84]

3. **Gradually phase out childcare subsidy copayments.** Set up sliding fee scale copayment schedules so that the difference between the highest copayment (at the highest income level) and the local market rate for childcare is negligible.[85]

4. **Offer periodic payment of refundable tax credits.** A key challenge is that workers lack an understanding of how much they will receive in EITC and CTC benefits, and they will not find out until they file taxes. Also, providing real-time payments puts money in families' pockets that they desperately need now, not when they file taxes – a key lesson learned from a study of monthly CTC payments that went to families from July to December 2021.[86]

5. **Eliminate the Medicaid-ACA coverage gap.** Under the ACA states can elect to expand their Medicaid programs which would eliminate this gap.[87]

An important step in considering the policy changes outlined above is to assess costs, such as the increased spending necessary to raise income limits for public benefits, and how to pay for these costs.

How employers can help

Taking steps to mitigate the impacts of benefits cliffs beyond educating employees about cliffs should be a part of employers' financial well-being strategy. Pay can be raised to a level at which losses in public benefits are fully offset; families can meet the living expenses in their communities, and experience positive NFR. For example, PayPal took action after assessing employees' net disposable income (like NFR) and realizing how difficult it was for employees to meet basic needs and have money left over to save.[88] While increasing pay to such levels may not be possible for all employers, other steps can be taken:

1. **Offer income-based health insurance premiums**. For workers leaving Medicaid and enrolling in employer-sponsored health insurance, any premium they will pay acts as a benefit cliff. Employers can use a tiered approach based on wages, so premiums do not take such a large bite out of lower-wage employees' pay.[89]

2. **Offer childcare assistance.** Workers and their families need help in finding quality, affordable childcare options and accessing public subsidies. Employers should also consider helping workers pay for childcare, especially those who are on waitlists for subsidies or were denied subsidies due to a lack of adequate funding.[90]

3. **Flexible scheduling.** Offering some control over the number of hours worked can help hourly employees avoid benefits cliffs. Flexible scheduling has the added benefit of helping employees balance work and caregiving responsibilities.

4. **Offer Paid Family Leave.** For workers struggling with caring for young children, paid leave can help, such as when workers cannot find open slots for infant care after returning from parental leave or when childcare centers close due to COVID-19 outbreaks.[91]

5. **Raise awareness among employees of tax credits and tax filing options.** Refundable tax credits are very valuable and have gradual phaseouts, yet not all workers claim them. Helping employees understand options for free or affordable tax filing assistance can help them claim these credits.[92]

6. **Offer financial wellness benefits.**[93] Benefits can include financial coaching, resource navigation, digital apps to help workers access and use public and private benefits, emergency savings programs,[94,95] and employee assistance funds [96] for emergencies,[vii] including when employees lose public benefits.

[vii] Employers can provide income tax-free financial assistance under disaster relief guidelines of Section 139 of the Internal Revenue Code, whereas establishing an employee assistance fund provides employers with greater flexibility in offering assistance.

Areas for Future Research

Research evidence is unclear on the question of the extent to which benefits cliffs act as a work disincentive. Future research should seek to understand:

- The extent to which workers are aware of cliff effects for specific programs.
- The public benefits workers are most concerned about losing.
- The extent to which workers are adjusting work hours and forgoing raises due to the size of anticipated cliffs, especially concerning childcare and housing subsidies.
- How transitions from public health insurance (Medicaid, CHIP, ACA marketplace subsidies) to employer-sponsored health insurance affect workers' and their families' financial well-being and work decisions.
- Whether labor responses to cliffs vary based on employee characteristics (e.g., age, tenure, occupational category) and employees' time horizon for financial decision-making, and expectations about earnings growth.

Future research should also seek to understand what happens to workers and their families when the experience benefits cliffs:

- Do workers experience work disruptions due to problems finding childcare?
- Do workers experience work disruptions due to increased financial difficulties and stress?
- Are workers more likely to leave their job in search of higher wages to replace the loss of public benefits? How successful are these workers in finding better-paying jobs?

Conclusion

Research evidence on the impact of benefits cliffs is mixed, though the impending loss of childcare and housing subsidies may substantially harm work effort or discourage workers from accepting raises. Workers are enduring cliff effects, but at a cost to their financial stability. EMTRs reflect a "two steps forward, one step back" pattern of increased earnings as NFRs do not keep pace with earnings and decrease for workers in certain income bands. Families with young children – especially with one parent – are most vulnerable to cliffs.

Workers are not experiencing economic mobility because of a large financial hole between income levels where benefits are lost and income levels that are high enough for workers to meet the financial stability standard for the community. This dynamic creates a drag on career development. In obtaining a credential to secure a higher-paying job, the new job may not pay enough to offset the loss of public benefits and bring household income up to a financial stability standard.

These threats to financial stability and economic mobility mean that low-wage workers are not getting ahead financially, which helps explain why these workers struggle to afford housing and childcare, save for emergencies and retirement, and manage debt. Employers can play a key role in eliminating these threats by advocating for changes in public policy – especially concerning childcare and health insurance.

Acknowledgments

Funding to support this brief was provided by the Seldin / Haring-Smith Foundation, whose mission is to *invest in solutions that expand equitable access to public services and support accountability for abuse of authority.* The author wishes to thank the following people and organizations for providing valuable insights that are reflected in this report: Michael Coleman, Massachusetts Department of Transitional Assistance (DTA), Amy Kershaw, Massachusetts Department of Early Care and Education, Donna Pavetti, Center on Budget and Policy Priorities, Karen Schoellkopf, Leap Fund, Curtis Dubay, U.S. Chamber of Commerce, Erika W. Bell, Federal Reserve Bank of Richmond, Sohrab Kohli and Sarika Abbi, Aspen Institute, Alex Ruder, Sarah Miller, and John Rees, Federal Reserve Bank of Atlanta, Heba Atwa, North Carolina Budget and Tax Center, Amelia Coffey, Urban Institute, and Elizabeth Lower-Basch, Center for Law and Social Policy.

Appendix A

Childcare Subsidies

The Child Care and Development Fund (CCDF) program is authorized by the Child Care and Development Block Grant (CCDBG) Act and administered by states to help families pay for childcare so they can work, obtain job training, or go to school. Parents apply to receive subsidies which they can use with approved childcare providers. Income limits across states range from 37% to 101% of state median income, with an average of $44,613 or 168% of the federal poverty level (FPL) for a family of 4 in 2021.

Concerning **cliff effects**, once a family's income exceeds eligibility limits, they lose their subsidy. This is a harsh cliff because childcare is so expensive – more than $10,000 a year per child in center-based care. In North Carolina, the income limit is $42,660, and families pay a 10% copayment. For one child, the difference between the monthly copayment ($427) and the market rate for childcare ($667) means the loss of the subsidy results in an increase of $240 a month for the family. If a family had two children in care, the increase would be $907 a month.

States charge copayments as a flat fee or a percentage of income with or without a sliding scale. Over a third of states charge co-payments that exceed 7% of income, the recommended benchmark under the CCDBG. In states that use a sliding scale for co-payments, the value of subsidies gradually decrease as income rises. Some states like Missouri also offer a transitional childcare program to help families adjust to paying for childcare on their own.

The CCDBG Act of 2014 requires states to allow families already receiving assistance to continue to do so through the end of their 12-month eligibility period – ***if income does not exceed 85% of state median income***. Some states also apply **income exit eligibility limits**, meaning that families can continue to receive assistance as their incomes rise. For example, in Michigan in 2021, families with income up to $40,632 qualified for assistance and could continue to receive assistance until their incomes reached $66,756. However, in Nebraska, the exit income limit was $43,920 – a difference of only $3,288 from the entry limit.[97]

An additional and significant problem with childcare subsidies is a lack of supply. CCDF is a discretionary program; less than a fifth of families eligible for childcare subsidies receive them due to a lack of funding. Excluding temporary childcare funding related to the COVID-19 pandemic, total federal funding for childcare from the CCDF and TANF programs was $11.8 billion in fiscal year 2021 – less than inflation-adjusted funding 20 years ago ($13 billion).[98]

Housing Choice Vouchers

Families that receive a Housing Choice Voucher (HCV) pay 30% of their income on rent to a landlord that agrees to accept the HCV, with the federal department of Housing and Urban Development (HUD) paying the remaining 70%. Families qualify for an HCV at three different income levels:

- Extremely low income: 30% of area median income
- Very low income: 50% of area median income
- Moderately low income: 80% of area median income

Concerning **cliff effects**, when a recipient family's income rises, they are shielded from a rent increase in the first 12 months – a 100% earned income disregard (EID). In the second 12-month period, the EID decreases to 50% and their rent rises. For example, rent for a family whose monthly income increases from $2,000 to $2,500 would rise from $600 to $675.

The EID can be used only once in a recipient's lifetime, and at the end of the 24-month EID period, the subsidy is lost, and the family must pay rent at market rates. The difference between the HCV rent cap of 30% of income and the proportion of income that will go toward market rate rent can be substantial. For a family of one parent and two children with a monthly income of $2,500, the loss of an HCV would increase their rent by 92% from $675 to $1,295 – the national average rent for a 2-bedroom apartment.

Like the CCDF, an additional problem with HCVs is a lack of supply amidst a growing housing affordability crisis in the U.S. HCVs are a discretionary program and only 25% of eligible families receive HCVs due to a lack of funding.[99] Local housing authorities usually prioritize families with *extremely* low incomes for HCVs as supply is very limited and waitlists are long. Furthermore, 57% of individuals receiving federal rental housing assistance (including HCVs) are elderly or disabled, while only 29% work.[100] Thus, **cliff effects** of HCVs are less of an issue because few workers receive them.

Supplemental Nutrition Assistance Program (SNAP)

SNAP is a federally funded, state- and county-administered program that provides an Electronic Benefits Transfer (EBT) card that recipients can use to purchase certain types of food. SNAP is an entitlement program; all families who are eligible can receive benefits. There are three eligibility tests for SNAP: 1) gross monthly income cannot exceed 130% of the federal poverty level (FPL) ($2,871 for a family of four in 2021); 2) net monthly income (after deductions) cannot exceed 100% of the FPL; and 3) liquid assets cannot exceed $2,500. Several states set higher income limits. SNAP households receive an average of $240 in monthly benefits.[101]

Concerning **cliff effects**, the amount of SNAP benefits a household receives is the maximum benefit amount less 30% of household's net income. In addition, 20% of earned income is disregarded in determining benefit amounts – a program feature meant to encourage work. Thus, benefits phase out with increased income at a rate of 24 to 36% for most households. In addition, over 30 states use a categorical eligibility option to increase gross income limits above the 130% of FPL limit to make the loss of SNAP benefits even more gradual.[102]

Households without an elderly or disabled member can be certified for 6 to 12 months. To monitor eligibility, 26 states use Simplified Reporting, which means recipients periodically report changes in their circumstances, including a change in income. The remainder of states use Change Reporting in which recipients must report changes in their incomes within 10 days of the change or within 10 days before or after the end of the month in which the change took place.[103] Thus, Change Reporting can accelerate the phaseout of SNAP benefits.

Earned Income Tax Credit

The Earned Income Tax Credit (EITC) has the simplest program structure of major public benefits. In the phase-in region, the value of the benefit – a refundable tax credit – rises sharply with income. For example, the credit for a married household with two children would increase in tax year 2021 by 20% from $4,010 to $4,810 when annual income rose from $10,000 to $12,000. The credit would max out at $5,980 (the EITC "plateau") for income from $14,950 to $25,500, and then begin to taper off gradually until reaching $0 at $53,865. For single individuals with no children, the amount of the credit and the income limit are lower. For example, at an income of $10,000, the credit was $1,502 in 2021 while the amount of the credit drops to $0 at income of $21,430.

Concerning **cliff effects**, the EITC has a gradual phaseout rate of 21%.[104]

Temporary Assistance for Needy Families (TANF)

TANF is a federal-state block grant program that replaced Aid to Families with Dependent Children (AFDC) as the cornerstone of welfare reform legislation in 1996. States use TANF funds in a variety of ways including cash assistance. Most states set income limits far below the FPL, and the median monthly cash benefit in 2021 was $498.[105]
In most states, only part-time workers may be eligible.

Concerning **cliff effects**, when household income rises and exceeds income limits, the entire cash benefit is lost, except in states like Oregon[106] that have implemented benefit phaseouts. In addition, households can lose their entire benefit due to consecutive and lifetime time limits for receiving TANF cash assistance.

Appendix A

Medicaid/CHIP[viii]

Medicaid provides free or low-cost health insurance to individuals who can receive healthcare from providers that accept Medicaid as a payment source. States must keep premiums and co-payments low to ensure coverage affordability.

In many states, such as North Carolina, single adults who are not elderly, blind, and/or disabled do not qualify for Medicaid regardless of income – only parents may be eligible. In states that did not expand Medicaid, the median income limit for parents is 41% of the federal poverty level (about $750 a month for a family of three).[107] In Medicaid expansion states, nearly all adults (not just parents) with income up to 138% of FPL can receive Medicaid. The Children's Health Insurance Program (CHIP) is a similar low-cost health insurance program to cover children in families whose income exceeds Medicaid limits – a national median limit of 255% of FPL.

Concerning **cliff effects**, Medicaid and CHIP coverage is terminated once income exceeds eligibility limits. This means individuals and families must find a different source of health coverage, such as employer-sponsored coverage or an Affordable Care Act (ACA) Marketplace plan with a premium subsidy. In both cases, workers will likely have to begin paying a monthly premium and meet deductibles – out-of-pocket payments for healthcare before insurance coverage kicks in. Premium and deductible amounts – which reflect the cost of the Medicaid benefit cliff – depends on different scenarios. The scenarios listed below are for a family of four with two adults and two children with an annual income of $39,000 (139% of FPL) – the point at which a cliff is experienced in many states.

Scenario 1: Employer does not offer health insurance[ix], and worker lives in a Medicaid expansion state.

The worker would transition from Medicaid to an ACA Marketplace plan once their income reached $39,000. They would be eligible for a 100% ACA premium subsidy for a Silver plan and thus would experience no benefit cliff in terms of premiums, yet they would be responsible for up to $5,800 in out-of-pocket (OOP) expenses depending on their use of healthcare.

Scenario 2: Employer does <u>not</u> offer health insurance, and worker does <u>not</u> live in a Medicaid expansion state.

The worker would have transitioned to an ACA Marketplace plan with a 100% premium subsidy once their income reached $27,750 (100% of FPL) with an OOP limit of $5,800. However, the worker would have experienced a coverage gap between Medicaid and an ACA plan when their income reached about $12,000 and until it rose to $27,750[108], meaning they would have to pay out of pocket for any healthcare they needed and apply for charity care discounts.

Scenario 3: Employer offers health insurance, and worker lives in a Medicaid expansion state.

The worker would transition from Medicaid to employer coverage when their income reached $39,000 and begin paying monthly premiums, which in 2020 were $128, $336, and $498 for single, plus-one, and family coverage, respectively, unless their employer offered income-based premiums. The worker would also be subject to average annual deductibles for single and family coverage of $1,945 and $3,722, respectively[109] in addition to OOP maximums. If the worker turned down employer coverage, they could pay $329 - the average monthly premium for the lowest-cost ACA Marketplace plan (Bronze). Per ACA regulations, they would be ineligible for ACA premium subsidies because their employer offers health insurance.[x]

Scenario 4: Employer offers health insurance, and worker does <u>not</u> live in a Medicaid expansion state.

The same circumstances for Scenario 3 would apply except that the worker would transition to employer coverage once their income reached $12,000.

This hypothetical household would experience a Medicaid benefit cliff in all four scenarios. Yet the cliff would be least severe in Scenario 1, which is counter-intuitive because gaining employer coverage is usually a good thing. However, gaining employer coverage means incurring new expenses for workers. ***Unless the employer offers income-based premiums and deductibles, lower-wage workers will pay a much greater proportion of their income on premiums.*** For example, in a non-expansion state, a worker with income just above the Medicaid limit would pay a third of household income on employer coverage for themselves and their spouse or partner (while any children would be covered by CHIP).

Income limits for **child coverage** for both Medicaid and CHIP are higher than the limits for adult Medicaid.[110] This means parents will experience a benefit cliff for child coverage at a higher income level than a cliff concerning their own healthcare coverage. For example, a family of four in Kentucky would not lose CHIP until their income reached 218% of FPL ($60,495).[111] However, when families transition from Medicaid to CHIP for their children in some states, they begin paying premiums which can be as high as 5% of household income. Families that receive CHIP but do **not** pay premiums may experience a large cliff when they transition from CHIP to family coverage under their employer's plan.

Supplemental Security Income (SSI)

SSI provides a monthly cash benefit of $604 and automatic enrollment in Medicaid for adults and children living with a disability. Concerning **cliff effects**, recipients can continue to receive SSI benefits as they earn income but will lose benefits once earnings exceed income limits, which vary by state. The first $85 of monthly earnings is disregarded, yet benefits are reduced by 50 cents for each dollar earned above this amount up to income limits. After income exceeds limits, the entire benefit is lost.

Social Security Disability Insurance (SSDI)

SSDI provides an average monthly cash benefit of $1,236 and automatic enrollment in Medicare for adults living with a disability.[xi] Concerning cliff effects, recipients can engage in a 9-month Trial Work Period (TWP) to see whether they can work, during which they receive full benefits regardless of how much they earn if this work is reported to the Social Security Administration (SSA). Work months do not have to be consecutive. After 9 months of TWPs, recipients enter an Extended Period of Eligibility (EPE) during which benefits continue to be received if monthly earnings do not exceed $1,350, which is considered Substantial Gainful Activity (SGA). If earnings exceed this limit, SSDI benefits will continue for a 3-month grace period until they are completely terminated.

[viii] Many states refer to their Medicaid and/or CHIP programs by different names, such as MassHealth in Massachusetts and Health Choice in North Carolina.
[ix] Or the plan offered by the employer does not meet ACA affordability and coverage requirements.
[x] Provided that the employer plan met ACA affordability and coverage requirements.

[xi] Individuals receive SSDI instead of SSI if they have sufficient work history, meaning they have paid into the Social Security system via payroll taxes (FICA).

[1] https://www.epi.org/publication/wages-and-transfers/

[2] https://www.pwc.com/us/en/services/consulting/business-transformation/library/employee-financial-wellness-survey.html

[3] https://www.atlantafed.org/economic-mobility-and-resilience/advancing-careers-for-low-income-families/what-are-benefits-cliffs

[4] https://www.cbpp.org/research/policymakers-often-overstate-marginal-tax-rates-for-lower-income-workers-and-gloss-over

[5] See note 4.

[6] https://www.fns.usda.gov/usamap

[7] See note 4.

[8] https://bit.ly/3ATVv1s

[9] https://lafollette.wisc.edu/images/publications/workshops/2020-DCF-Report.pdf

[10] Anderson, T., Coffey, A., Daly, H., Hahn, H., Maag, E., & Werner, K. (2022). *Balancing at the edge of the cliff: Experiences and calculations of benefit cliffs, plateaus, and trade-offs.* Urban Institute. https://www.urban.org/research/publication/balancing-edge-cliff

[11] See note 8.

[12] https://www.communitysolutions.com/ohio-working-families-face-benefit-cliffs-plateaus/

[13] https://www.urban.org/research/publication/income-volatility-new-research-results-implications-income-tax-filing-and-liabilities

[14] Iin, Elias and Ellyn Terry. (2021). 'The Policy Rules Database.' Federal Reserve Bank of Atlanta. www.frbatlanta.org/economic-mobility-and-resilience/advancing-careers-forlow-income-families/policy-rules-database.aspx.

[15] See note 14.

[16] https://selfsufficiencystandard.org

[17] See note 8.

[18] https://www.gcfdn.org/wp-content/uploads/2020/07/10.-2016-Cliff-Effect-Qualitative-Insights.pdf

[19] Roll, S., & East, J. (2014). Financially vulnerable families and the child care cliff effect. *Journal of Poverty, 18*(2), 169-187.

[20] https://www.bellpolicy.org/wp-content/uploads/2018/03/A-Look-Past-the-Cliff-March-2018.pdf

[21] https://aspe.hhs.gov/reports/risks-come-increasing-earnings-low-income-workers

[22] Blackwood, J., Ilin, E., & Schexnider, M. (2021). *Exploring benefits cliffs in Illinois: CCAP as a case study.* University of Chicago Inclusive Economy Lab and Federal Reserve Bank of Atlanta. https://urbanlabs.uchicago.edu/projects/illinois-benefits-cliffs

[23] National Academies of Sciences, Engineering, and Medicine. (2019). *A Roadmap to Reducing Child Poverty.* The National Academies Press. https://doi.org/10.17226/25246

[24] https://www.childrensdefense.org/wp-content/uploads/2020/02/The-State-Of-Americas-Children-2020.pdf

[25] https://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens

[26] https://www.nber.org/digest/aug06/earned-income-tax-credit-raises-employment

[27] Hoynes, H. W., & Patel, A. J. (2018). Effective policy for reducing poverty and inequality? The Earned Income Tax Credit and the distribution of income. *Journal of Human Resources, 53*(4), 859-890. http://jhr.uwpress.org/content/53/4/859.refs

[28] Eissa, N., & Hoynes, H. W. (2006). Behavioral responses to taxes: Lessons from the EITC and labor supply. *Tax Policy and the Economy, 20,* 73-110. https://www.journals.uchicago.edu/doi/pdf/10.1086/tpe.20.20061905

[29] Meyer, B. D. (2002). Labor supply at the extensive and intensive margins: The EITC, welfare, and hours worked. *American Economic Review, 92*(2), 373-379. https://www.aeaweb.org/articles?id=10.1257/000282802320191642

[30] Nichols, A., & Rothstein, J. (2016). 2. The Earned Income Tax Credit. In *Economics of Means-Tested Transfer Programs in the United States, Volume I* (pp. 137-218). University of Chicago Press.

[31] Ben-Shalom, Y., Moffitt, R. A., & Scholz, J. K. (2011). *An assessment of the effectiveness of anti-poverty programs in the United States* (No. w17042). National Bureau of Economic Research. https://www.nber.org/papers/w17042

[32] Krueger, A. B., & Meyer, B. D. (2002). Labor supply effects of social insurance. *Handbook of Public Economics, 4,* 2327-2392. https://doi.org/10.1016/S1573-4420(02)80012-X

[33] Brewer, M., & Hoynes, H. (2019). In-Work Credits in the UK and the US. *Fiscal Studies, 40*(4), 519-560. https://onlinelibrary.wiley.com/doi/full/10.1111/1475-5890.12207

[34] See note 32.

[35] See note 27.

[36] Eissa, N., & Hoynes, H. W. (2004). Taxes and the labor market participation of married couples: the earned income tax credit. *Journal of Public Economics, 88*(9-10), 1931-1958. https://doi.org/10.1016/j.jpubeco.2003.09.005

[37] Saez, E. (2010). Do taxpayers bunch at kink points?. *American Economic Journal: Economic Policy, 2*(3), 180-212. https://www.aeaweb.org/articles?id=10.1257/pol.2.3.180

[38] See note 28.

[39] See note 25.

[40] Currie, J. (2003). US food and nutrition programs. In *Means-tested transfer programs in the United States* (pp. 199-290). University of Chicago Press. https://www.nber.org/system/files/chapters/c10257/c10257.pdf

[41] Hoynes, H. W., & Schanzenbach, D. W. (2012). Work incentives and the food stamp program. *Journal of Public Economics, 96*(1-2), 151-162. https://doi.org/10.1016/j.jpubeco.2011.08.006

[42] Deshpande, M. (2016). The effect of disability payments on household earnings and income: Evidence from the SSI children's program. *Review of Economics and Statistics, 98*(4), 638-654. https://doi.org/10.1162/REST_a_00609

[43] Albelda, R., & Carr, M. (2017). *One Step Forward, One Step Back? Labor Supply Effects of Minimum Wage Increases on Single Parents with Public Child Care Support* (No. 2017_01). University of Massachusetts Boston. http://repec.umb.edu/RePEc/files/2017_01.pdf

[44] Gubits, D., Stapleton, D., Bell, S....Judkins, D. (2018). *BOND implementation and evaluation: Final evaluation report, Volume 1.* Abt Associates and Mathematica. https://www.ssa.gov/disabilityresearch/documents/BOND%20Deliv%2024e2%20FER%20Vol%201%2020181018.pdf

[45] National Academies of Sciences, Engineering, and Medicine. (2019). *A roadmap to reducing child poverty.* The National Academies Press. https://doi.org/10.17226/25246

[46] See note 10.

[47] Administration for Children and Families. (2020). *Navigating benefits cliffs in HPOG.* U.S. Department of Health and Human Services. https://www.acf.hhs.gov/sites/default/files/documents/ofa/hpog_8_state_benefit_cliff_report_20201006_508.pdf

[48] https://www.atlantafed.org/-/media/documents/community-development/publications/discussion-papers/2020/02-benefits-cliffs-as-a-barrier-to-career-advancement-for-low-income-adults-2020-03-31.pdf

[49] https://www.richmondfed.org/publications/research/econ_focus/2021/q2-3/at_the_richmond_fed

[50] https://myleapfund.com/

[51] https://www.aspeninstitute.org/programs/financial-security-program/benefits21/

[52] https://www.aspeninstitute.org/publications/when-workplace-benefits-met-crisis-expert-perspectives-during-covid-19-on-supporting-worker-cash-flow/

[53] https://www.aspeninstitute.org/wp-content/uploads/2020/09/B21A-Modernized-System-of-Benefits.pdf

[54] https://www.aspeninstitute.org/news/press-release/2022-benefits-scorecard/

[55] https://neighborhoodtrust.org/2020/02/12/trusted-advisor-is-now-trustplus/

[56] https://www.worklifepartnership.org/

57 See note 32.

58 https://www.commonwealthfund.org/blog/2022/averting-premium-shock-marketplace-consumers

59 https://www.theatlantic.com/ideas/archive/2022/04/code-for-america-time-tax/629655/

60 https://www.uschamberfoundation.org/JEDx

61 https://www.urban.org/policy-centers/cross-center-initiatives/state-and-local-finance-initiative/state-and-local-backgrounders/state-earned-income-tax-credits

62 https://taxfoundation.org/child-allowance-romney-tax-proposal/

63 https://socialpolicyinstitute.wustl.edu/impact-child-tax-credit-on-family-employment-nutrition-financial-well-being/

64 https://www.mathematica.org/news/expanding-pell-grants-for-short-term-occupational-training-improved-postsecondary-enrollment

65 https://apps.legislature.ky.gov/record/22rs/HB708.html#HCS1

66 https://floridataxwatch.org/Research/Full-Library/ArtMID/34407/ArticleID/19160

67 https://www.mass.gov/doc/fiscal-year-2022-report-on-standard-budgets-of-assistance-for-transitional-aid-to-families-with-dependent-children/download

68 https://www.mass.gov/news/baker-polito-administration-launches-common-application-for-masshealth-and-food-benefits

69 See note 68.

70 https://www.bellpolicy.org/wp-content/uploads/2018/03/A-Look-Past-the-Cliff-March-2018.pdf

71 https://maineequaljustice.org/site/assets/files/2220/mainecare_whoscovered_2019.pdf

72 https://www.nysenate.gov/legislation/bills/2021/S6589

73 https://codeforamerica.org/programs/social-safety-net/integrated-benefits/

74 https://www.communitysolutions.com/wp-content/uploads/2022/02/Issue-Brief_Benefit-Cliff_02212022.pdf

75 https://cdfohio.org/cdf_oh_blog/economic-security-now-and-in-the-future-how-ohio-can-smooth-benefits-cliffs-and-eliminate-the-confidence-cliff/

76 https://ascend.aspeninstitute.org/wp-content/uploads/2020/12/whole-family-approach-to-jobs-6-state-policy-brief-addressing-benefit-cliffs.pdf

77 See note 63.

78 https://www.benefitscliff.com/policy

79 See note 8.

80 https://lafollette.wisc.edu/images/publications/workshops/2020-DCF-Report.pdf

81 https://www.gcfdn.org/wp-content/uploads/2020/07/2.-2019-Survey-of-Legislation-to-Ameliorate-the-Cliff-Effect.pdf

82 Schulman, K. (2022). *At the crossroads: State child care assistance policies 2021.* National Women's Law Center. https://nwlc.org/resource/at-the-crossroads-state-child-care-assistance-policies-2021/

83 See note 82.

84 https://www.atlantafed.org/-/media/documents/community-development/publications/discussion-papers/2021/01-restructuring-the-eligibility-policies-of-the-child-care-and-development-fund-to-address-benefit-cliffs-and-affordability-2021-06-18.pdf

85 See note 81.

86 https://www.brookings.edu/research/the-impacts-of-the-2021-expanded-child-tax-credit-on-family-employment-nutrition-and-financial-well-being/

87 https://www.kff.org/medicaid/issue-brief/the-coverage-gap-uninsured-poor-adults-in-states-that-do-not-expand-medicaid/

88 https://www.even.com/resources/paypal

89 See https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/income-based-premiums-help-make-health-care-affordable.aspx

90 https://iwpr.org/iwpr-issues/esme/tackling-childcarethe-business-case-for-employer-supported-childcare/

91 https://www.nationalpartnership.org/our-work/resources/economic-justice/paid-leave/paid-leave-good-for-business.pdf

92 https://www.uschamberfoundation.org/sites/default/files/EITC%20Goodwill%20Pilot%20Evaluation.pdf

93 https://assetfunders.org/resource/when-a-job-is-not-enough-employee-financial-wellness-and-the-role-of-philanthropy/

94 https://buildcommonwealth.org/our-work/emergency-savings/

95 https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/workplace-savings-accounts-open-in-case-of-emergency.aspx

96 https://www.uschamberfoundation.org/employee-assistance-funds

97 See note 82.

98 See note 82.

99 See note 4.

100 https://www.cbpp.org/research/housing/chart-book-employment-and-earnings-for-households-receiving-federal-rental

101 https://www.cbpp.org/sites/default/files/atoms/files/11-18-08fa.pdf

102 https://www.cbpp.org/research/food-assistance/the-supplemental-nutrition-assistance-program-includes-earnings-incentives

103 USDA state options report. https://fns-prod.azureedge.us/sites/default/files/snap/14-State-Options.pdf

104 See note 32.

105 https://www.cbpp.org/research/family-income-support/temporary-assistance-for-needy-families

106 http://www.dhs.state.or.us/caf/ss/tanf/docs/tanf_reducing_the_benefits_cliff.pdf

107 https://www.kff.org/medicaid/issue-brief/the-coverage-gap-uninsured-poor-adults-in-states-that-do-not-expand-medicaid/

108 See note 102.

109 https://www.kff.org/state-category/health-costs-budgets/employer-based-health-insurance-premiums/

110 https://www.kff.org/health-reform/state-indicator/medicaid-and-chip-income-eligibility-limits-for-children-as-a-percent-of-the-federal-poverty-level/

111 See note 105.

U.S. Chamber of Commerce
Foundation