Policy Rules Database
Technical Manual

Updated December 28, 2021

1. Overview

1.1 Purpose of the Policy Rules Database

The public assistance programs that support workforce participation in the United States are made up of a patchwork of policies implemented and administered at the federal, state, and local levels and subject to a diverse array of policy rules. These programs are designed separately from each other and each has a unique structure and terminology. Public assistance program rules and tax policies are often buried in legislative documents or government websites and are frequently exceedingly difficult to interpret.

The key purpose of the Policy Rules Database (PRD) is to simplify the interpretation of all programs by creating a *common structure* and a *common terminology*. The PRD culls eligibility information into one simple-to-use database that describes policy rules in plain English and boils the complex program design down to a common set of logical or numeric fields. Importantly, the PRD is a resource for individuals trying to understand the general structure of how each public assistance program works and for programmers wanting to estimate the value of a particular program. The PRD enables the calculation of public assistance and tax amounts for any individual—subject to some limitations—without requiring specialized knowledge. Online tools such as the National Center for Children in Poverty (NCCP) Family Resource Simulator and the Federal Reserve Bank of Atlanta's Career Ladder Identifier and Financial Forecaster (CLIFF) tool can be directly linked to the PRD parameters.

The PRD can be used in the following ways:

- Assess the general structure of any public assistance program or tax policy.
- Compare and contrast rules across public assistance programs and tax policies.
- Read in PRD parameters and determine the eligibility for a particular program and estimate the value of this program using provided formulas.

Several publicly available data sets exist that model some of these policies, but in some cases these sources are incomplete. In others, they are not up to date. In still other cases, these sources do not provide easily quantifiable data. For example, the Urban Institute publishes annual data sets of Child Care and Development Fund (CCDF) and Temporary Assistance for Needy Families (TANF) policies, but they reflect outdated policy rules. These data sets also make extensive use of footnotes, which means these data can't be easily used in software algorithms. Another example is the federally administered Low-Income Home Energy Assistance Program (LIHEAP) Clearinghouse, which includes a comprehensive listing of

LIHEAP state plans that describe policy data but do so primarily in text boxes. When pulling data from these state plans, researchers need to translate the information in these text boxes into usable numbers and formulas. Thus, the PRD provides significant value added over what already exists in other databases by (1) collating public assistance program rules and tax policies, (2) making policy rules easier to interpret, and (3) allowing for policy rule parameters to be incorporated into any programming language.

See Appendix A for an alphabetical list of abbreviations used in the PRD.

1.2 The PRD as a Collaborative Effort

The PRD is a collaboration between the National Center for Children in Poverty and the Federal Reserve Bank of Atlanta. These organizations engage with the community of trusted experts and state administrators to ensure that rules are accurately captured. This collaboration speeds the delivery of program updates, so that the PRD parameters are always up to date. It also allows for the output of research and online tools to provide consistent information that can inform policy debates and individual decision-making on the part of families seeking to achieve improved financial stability.

The PRD currently supports the following online tools:

- The NCCP's Family Resource Simulator and Basic Needs Budget Calculator
- The Atlanta Fed's CLIFF Dashboard and CLIFF Personal Planner

The PRD and the tools it supports are used by a community of researchers, think tanks, policymakers, nonprofits, and government program administrators. Further, the PRD is designed so that tax policies and public assistance programs rules can be easily added and existing program rules can be easily modified. This enables the broader community of collaborators working with NCCP and the Atlanta Fed to conduct policy experiments or build customized client case management tools.

1.3 Public Assistance Programs and Tax Policies Included in the PRD

1.3.1 List of Public Assistance Programs

Supplemental Nutrition Assistance Program (SNAP), School Breakfast Program (SBP) and National School Lunch Program (NSLP), Housing Choice Voucher Program (Section 8), Child Care and Development Fund (CCDF) subsidies, Head Start, the Medicaid/Children's Health

Insurance Program (CHIP), Health Insurance Marketplace Subsidies, Low-Income Home Energy Assistance Program (LIHEAP), Supplemental Security Income (SSI) program

1.3.2 List of Taxes and Tax Credits

Federal personal income tax, state personal income tax, Federal Insurance Contribution Act (FICA) tax, state sales tax, Federal Earned Income Tax Credit (EITC), State Earned Income Tax Credit (EITC), Federal Child Tax Credit (CTC), State Child Tax Credit (CTC), Federal Child and Dependent Care Tax Credit (CDCTC), and State CDCTC

1.4 Information Requirements for Benefit Calculations

The PRD requires users to have the following information to calculate eligibility and the value of all the government programs contained within the database for a particular family. This is an exhaustive list. Most programs require only a subset of the family attributes and expenses listed below. Default values are provided for all parameters listed below except for those under "family attributes." This information has specific coding requirements, such as the range of values they can take on.

Family Attributes (No Default Values)

- Age of each family member
- Total employment income of family
- Family assets
- County or town and state of residency
- Housing status (homeowner or renter)

Attributes of Individual Applying for Benefits

- Marital status

Basic Monthly Expenses

Default values can be obtained using the Cost-of-Living Database (CLD) described below.

- Rent or mortgage
- Utilities
- Food/Grocery expenses
- Childcare expenses
- Health insurance premium for all family members

- Costs of meals at school
- Child support payments

Childcare and School-Related Variables

- Number of school days
- Amount of childcare during the school year and during summer
- Community Eligibility Provision (CEP) school (0 is default)
- Pre-K start age (5 is default)

1.5 Relationship to the Cost-of-Living Database

Public assistance programs are often targeted to subsidizing a specific family's expense by providing certain products and services at a reduced cost or for free. The PRD uses a combination of household-specific expenses, as specified above, and information from the CLD to estimate the full market cost of products and services. The CLD provides county-level estimates of the cost of living for different family types using a basic set of expenses. This set includes housing, utilities, childcare, health insurance, food, transportation, and other miscellaneous expenses. The CLD is based on the methodology used in the University of Washington's Self-Sufficiency Standard.[1]

If household-specific expenses are unavailable for a researcher, the CLD can supply default values of expenses depending on the family attributes and county and state of residence. The CLD is also used for applying the PRD to hypothetical situations—such as when calculating the effective marginal tax rates and modeling the size of the benefits cliffs for an individual who currently is on Medicaid but, with income gains, becomes ineligible and must purchase health insurance on the private market or obtain it through an employer—or to estimate expenses from the list of household-specific expenses required for PRD use.

Calculations of values of public assistance programs often require knowledge of specific expenses faced by the household. For example, SNAP allows for childcare costs, housing costs, and utility costs to be deducted when determining eligibility and benefit amount. The total value of the Section 8 Housing Voucher depends on the household's rent, while the program allows to deduct childcare expenses when determining eligibility and benefit amount. The value of the Marketplace subsidy is a function of the total health insurance premium, which varies by the person's age and location.

[1] See http://www.selfsufficiencystandard.org/.

The data in the CLD vary by family composition as well as state and county of residency for most expenses. See the CLD Technical Manual for more information.

1.6 Limitations of the PRD

The PRD does not contain all details outlined in every program. Instead, it is specifically designed to estimate eligibility and the value of benefit programs for nondisabled adults and their children. The following limitations apply:

- The PRD specifies rules for households with up to three adults and five children, for a maximum family size of eight.
- The PRD does not include information on the work requirements.
- Program rules vary only by the family characteristics specified above. Each program's guide lists information about what populations the PRD excludes. Some populations frequently excluded are:
  - Adopted and foster children. The PRD does not distinguish among biological, adopted, and foster children. All children are considered biological children for the purposes of benefit calculations.
  - Individuals with disabilities
  - Individuals experiencing homelessness
  - Formerly incarcerated individuals
  - Individuals living on Native lands
  - Individuals whose immigration status prevents them from being eligible to receive benefits
  - Individuals age 65 or above
  - Self-employed individuals
  - Military personnel and veterans

Future iterations of the PRD will contain information relevant for adults and children with disabilities and for individuals age 65 or above.

1.7 Getting Started

To use the PRD, start with collecting the information specified in the Information Requirements section (1.4) of this technical manual. When creating the data set, use the variable names specified in the List of Inputs section of this guide for each program. These inputs are referred to in formulas with "{" and "}" on each side (e.g. {agePerson1} corresponds to the age of the first person in the family).

Next, assign PRD Eligibility Parameters and Value of Benefits Parameters to a family by matching the family characteristics with the variables indicated in the guide to each program. The parameters are referred to in equations with "[" and "]" on either side (e.g. [Income Eligibility]).

Last, apply the steps and formulas specified in the Calculations section of this guide to each program to determine eligibility and estimate the value of the program. All formulas have similar structure for determining eligibility and calculating the estimated value of the program.

To determine income eligibility, start by adding all sources of income listed in the corresponding field of the PRD, subtracting all deductions (or portions of these deductions) listed in the corresponding field of PRD, and compare the resulting net income amount with the eligibility threshold(s) specified.

> ***Note:*** Eligibility thresholds are specified in the PRD for each program, so they do not need to be calculated by users of the PRD. Eligibility thresholds vary by program, with most determined by the federal poverty level (FPL), state median income (SMI), or area median income (AMI). The precise value of the threshold and how it is calculated is provided in the PRD.

2. A Review of Public Assistance Programs and Tax Policies and PRD User Guides

This section contains a review of each public assistance program and tax policy included in the PRD and instructions (called user guides) for how to use the PRD to estimate the value of each program. These user guides are intended to be used with the PRD Excel file, which contains exact values of parameters for each location and family type.

2.1 Public Assistance Programs

2.1.1 School Breakfast Program and National School Lunch Programs

Overview

The SBP and NSLP are federally assisted meal programs operating in public and nonprofit private schools and residential childcare institutions. They provide low-cost or no-cost breakfasts and lunches to children every school day. The PRD combines these two programs because they have the same eligibility and value-of-benefits determination structure.

Eligibility Determination

The eligibility rules are set nationally and based on the FPL. Thus, the income limit to determine eligibility will depend on the size of the family and which state the family lives in, as Alaska and Hawaii have a different FPL. The maximum income for eligibility is 185 percent of the FPL. Copays vary by two income levels. See the PRD for a complete description.

Children also gain *categorical eligibility* for free (completely reduced) school lunch and school breakfast if they are in a family that receives SNAP benefits or TANF cash assistance, or if they are in a CEP school. CEP allows high-poverty schools to provide U.S. Department of Agriculture (USDA) school meals at no charge to all students. We do not have data about which schools participate in CEP and thus do not include this provision in the calculations.

Countable Income, Net Income, and Asset Tests

Countable Income

For the purposes of determining eligibility, we use a limited definition of countable income. The full list of countable income can be found in the Limitations section below. The list of countable income used for determination of countable income can be found in the [ListOfCountableIncome] field of the PRD.

Net income and Deductions

No deductions, and therefore no calculation of net income

Asset Tests

No asset tests

Value of Benefits Determination

The value of benefits is the annual value of both the NSLP and the SBP programs. The daily value is obtained by subtracting the daily copay of breakfast and lunch from the daily cost of breakfast and lunch. To annualize, multiply this amount by the number of days in the school year and the number of school-age children. See the PRD for a complete description.

Special Rules and Provisions

American Rescue Plan Rules

Under the Pandemic EBT expansion from the Families First Coronavirus Relief Act (FFCRA), carried through via subsequent legislation, states provide, via a SNAP-like benefit card, the value of missed breakfasts and lunches directly to families receiving free or reduced-price school meals. For families to participate, schools must be closed or partially closed. The daily rate per student is $6.82 as of 1/21/21. Eligibility is based on SBP or NSLP eligibility for free or reduced-price meals. Under the latest amendment to the FFCRA, USDA deems all children under the age of 6 to be enrolled in a covered childcare facility. So, all schoolchildren eligible for NSLP and SBP can get this, as can all children under 6. This effectively expands school lunches to children younger than school age.

Using the PRD: List of Inputs and Calculations

List of Inputs

The required family-level information for determining eligibility modeled in the PRD are:

- The size of the family **{famsize}**. {famsize} can take on values between 1 and 8.
- Whether or not the family resides in Alaska or Hawaii **{AKorHI}**; {AKorHI}=1 if the family lives in AK or HI and 0 otherwise

- The age of each member of the household (up to 8) **{age_1}, {age_2}, {age_3}, {age_4}, {age_5}, {age_5}, {age_6},{age_7},{age_8}**
- Determination of school age. As noted below, the Atlanta Fed assumes children with access to free pre-K {freePre-Kstate==1} are school age if they are between 4 and 17. Otherwise {freePre-Kstate==0} children are considered school age if between 5 and 17.
- Annual countable income of the family **{income}**- see [ListofCountableIncome] specified in the PRD
- Number of school days: **{numberofSchooldays}**

Calculations

Copay is based on income, as specified in [IncomeBin] and [IncomeBinDescription] in the PRD. Follow the steps below to determine the eligibility and calculate copay amount and benefit amount.

Step 1: Calculate annual total countable income.
{annual countable income} = sum([ListOfCountableIncome])

Step 2: Determine eligibility and daily copay amount for one school-age child.
Categorically Eligible=1 if [ListofCategoricalEligiblity]
If {annual countable income} <= [IncomeBin1Max] OR *Categorically Eligible*=1 then *Copay* = [CopayBin1]
If {annual countable income} > [IncomeBin1Max] & {annual countable income} < [IncomeBin2Max] then *Copay* = [CopayBin2]

Step 3: Determine the daily benefit value.
Daily Benefit Value = {exp.schoollunches} - *Copay*

Step 4: Calculate the number of school-age children.

1) Set pre-K start age.

   pre-Kstartage=4 if freePre-KState==1
   pre-Kstartage=5 if freePre-KState==0

2) Determine number of school age children.

   For persons i=1:8 {
   *schoolage_`i'*=1 if age_`i' == (*pre-Kstartage*,17)
   }

numschoolagekids= sum(schoolage1,schoolage2,schoolage3,schoolage4,schoolage5,schoolage6,schoolage7,schoolage8)

Step 5: Annualize total benefit value and multiply by the number of school-age children.
Value.schooMeals = *Daily Benefit Value**{number of school days}**Number of School Age Children*

Implementation-Specific Assumptions

Atlanta Fed

- The age at which children can access free pre-K varies by state.
- Set default *numberofSchooldays* to be 180.

Limitations

For the purposes of determining eligibility, we use a limited definition of countable income.

The full list of income counted for eligibility determination is: (1) monetary compensation for services, including wages, salary, commissions or fees; (2) net income from nonfarm self-employment; (3) net income from farm self-employment; (4) Social Security; (5) dividends or interest on savings or bonds or income from estates or trusts; (6) net rental income; (7) public assistance or welfare payments; (8) unemployment compensation; (9) government civilian employee or military retirement, or pensions or veterans payments; (10) private pensions or annuities; (11) alimony or child support payments; (12) regular contributions from persons not living in the household; (13) net royalties; and (14) other cash income. Other cash income would include cash amounts received or withdrawn from any source including savings, investments, trust accounts, and other resources that would be available to pay the price of a child's meal. '*Income*, as the term is used in this notice, does not include any income or benefits received under any federal programs that are excluded from consideration as income by any statutory prohibition. Furthermore, the value of meals or milk to children shall not be considered as income to their households for other benefit programs in accordance with the prohibitions in section 12(e) of the Richard B. Russell National School Lunch Act and section 11(b) of the Child Nutrition Act of 1966 (42 U.S.C. 1760(e) and 1780(b)). [source 2, "Definition of Income"].

We use only (1), (2), (3), (4), (7), and (11). All other income sources are assumed to be 0.

2.1.2 Supplemental Nutrition Assistance Program (SNAP)

Overview

SNAP is the largest federal nutrition assistance program. SNAP provides nutrition benefits to supplement the food budget of needy families so they can purchase healthy food and move toward self-sufficiency. SNAP provides benefits to eligible low-income individuals and families through an Electronic Benefits Transfer card. This card can be used like a debit card to purchase eligible food in authorized retail food stores.

Eligibility Determination

Eligibility rules for SNAP are set nationally, but states can override some of these rules under the broad-based categorical eligibility (BBCE) provisions. The federal gross income eligibility threshold is set at 130 percent of the FPL, and the asset limit is set at $2,250.

To be eligible for SNAP, families must also have net income below 100 percent of the FPL. *Net income* is defined as total gross countable income minus certain deductions. See the Countable Income, Net Income, and Asset Tests section for details.

Two types of work requirements can be required of SNAP recipients: general work requirements and the Able-Bodied Adult without Dependents (ABAWD) work requirements. See the Limitations section below for a discussion of work requirements.

BBCE is a policy that allows states to consider cost of living, wages, and other local economic conditions when setting gross income eligibility limits and asset eligibility limits.[2] Under BBCE, some states set higher gross income limits and increase or remove asset limits. See the PRD for a complete description of state-level BBCE rules.

Countable Income, Net Income, and Asset Tests

Countable Income

A family's SNAP net income eligibility, gross income eligibility, and benefits amount are based on the countable income. *Countable income* can be earned income and unearned income.

[2] Households are made categorically eligible through receiving or being authorized to receive a minimal TANF- or Maintenance-of-Effort-funded benefit or service, which has typically included such services as being given a brochure or being referred to a social service "800" telephone number. Recalling the USDA regulation, the brochure or telephone number must be funded with TANF or Maintenance-of-Effort dollars and thus must be directed at a TANF purpose.

Earned income includes wages, salaries, commissions, and profits. *Unearned income* includes some means-tested programs, education assistance, and support or alimony payments. See the PRD for details.

Net Income and Deductions

Deductions that are used to calculate the net income of the family are standard deductions, earned income deductions, out-of-pocket childcare expenses, and excess shelter costs. Households that either incur heating or cooling costs separate from rent or are regularly billed for heating or cooling costs can claim Heating and Cooling Standard Utility Allowances (HCSUA). In some states, households have an option to choose between claiming either HCSUA or their actual utility bills as a deduction for SNAP. Additionally, households that either received Low-Income Home Energy Assistance Program (LIHEAP) fuel assistance payments within the past 12 months or received the $21 Heat and Eat (only in states that allow that) can claim HCSUA. See the Calculations section for details.

Asset Tests

In states that did not eliminate asset limits, families must have assets below a certain amount. Countable assets include cash and money in checking and savings accounts. Some states count the value of vehicles towards asset tests. See the PRD for details.

Value of Benefits Determination

The annual value of SNAP benefits is calculated as an annual maximum SNAP benefits minus 30 percent of a family's net income. The annual SNAP amount is bounded from above and below by minimum and maximum payments. Minimum benefits are only applicable for family sizes of one and two. See the Calculations section for details.

Special Rules and Provisions

New York

> In the state of New York, households with dependent care expenses have a higher gross income eligibility limit. For households without dependent care expenses, the gross income eligibility limit is 150 percent of the FPL (this is the number in the PRD excel spreadsheet). For households with dependent care expenses, the gross income eligibility limit is 200 percent of the FPL (this special rule is listed in the calculation steps).

American Rescue Plan Act of 2021 and Related Acts

- The American Rescue Plan of 2021 extended the increase in SNAP benefits of 15 percent through September 2021. The increase in SNAP benefits was first established by the FFCRA.

- Separate from the increased SNAP maximum benefit, the FFCRA also established an emergency fund for states to use to provide the maximum SNAP benefit to all individuals qualifying for SNAP during the emergency period brought on by the pandemic. In January 2021, the federal government extended this emergency period, indicating it will likely last through 2021. All states, the District of Columbia, and Guam applied and were approved for emergency allotments as of March 2021. While the number of states approved for April 2021 "emergency allotments" is smaller, the list is likely incomplete, and it stands to reason that all states will similarly apply and be approved for this use of funds. See https://www.fns.usda.gov/snap/covid-19-emergency-allotments-guidance.

- Under April 2021 guidance, the emergency allotment provided for all families receiving SNAP in states opting for use of Emergency Allotment funds is defined as the maximum of (1) $95 and (2) the difference between the maximum SNAP benefit (115 percent of the USDA Thrifty Food Plan amount) and a family's base SNAP benefit, determined by subtracting 30 percent of net income from this maximum SNAP benefit.

- SNAP work requirements have been waived at the national level (prior to the American Rescue Plan) as long as the federal government has declared a public health emergency. The federal government has issued a memorandum indicating the expectation that the current public health emergency will remain in place until at least the end of the calendar year (December 2021).

- H.R.8337 (Continuing Appropriations Act, 2021 and Other Extensions Act) also afforded states the option to waive recertification requirements for families receiving SNAP benefits. This effectively allows families who were once qualifying for SNAP due to low income to remain on SNAP even if their new income would have -- absent this exemption -- pushed them above the income limit for receiving SNAP benefits. Many but not all states have applied and received approval for waiving recertifications. See https://www.fns.usda.gov/snap/cr-state-options.

Using the PRD: List of Inputs and Calculations

List of Inputs

The required family-level information for determining eligibility modeled in the PRD are:

- State identifiers: **{stateName} -** name of the state or **{stateFIPS} -** FIPS code of the state
- Whether the family is located in Alaska or Hawaii or not **{AKorHI}**. {AKorHI}=1 if the family lives in AK or HI and 0 otherwise.
- The size of the family **- {famsize}**. {famsize} can take on values between 1 and 8.
- Annual utility spending of the family **- {netexp.utilities},** after any subsidies. (See the CLD for default values of exp.utilities.)
- Annual rent of the family **{netexp.rent},** after any subsidies. (See the CLD for default values.)
- Annual out-of-pocket childcare costs after subsidies **- {netexp.childcare}**. (See the CLD for default values.)
- Total countable assets of the family **{assets} -** see [ListofCountableAssets] specified in the PRD
- Year of fiscal rules **- {ruleYear}**

Calculations

Step 1: Calculate annual total countable income.
{countableIncome} = sum([ListOfCountableIncome])

Step 2: Calculate total countable assets.
{countableAssets} = sum([ListOfCountableAssets])

Step 3: Calculate earned income deduction.
EarnedIncomeDeduction = 0.2*{annual countable income}

Step 4: Calculate adjusted income.
AdjustedIncome = max(0, ({countableIncome} - *EarnedIncomeDeduction* - 12*[StandardDeduction] - {netexp.childcare})

Step 5: Calculate utility deduction.
If [netexp.utilities] > 0 OR ([LIHEAP received] > 0 OR [HeatAndEatState] = 1), then {
*if [HCSUA]==Mandatory , then UtilityDeduction=[HCSUAValue]*12*
if [HCSUA]==Optional, then UtilityDeduction=max([HCSUAValue],[netexp.utilities])

} else {
UtilityDeduction = 0
}

Step 6: Calculate net income.

NetIncome = *AdjustedIncome* - min(([netexp.rent]+*UtilityDeduction*) - 0.5**AdjustedIncome*),12*[MaxShelterDeduction])

Step 7: Adjust Gross Income Eligibility test for households with dependent care expenses.

If state=NY and {net.exp.childcare}>0 then [GrossIncomeEligibility] = 200% of FPL

Step 8: Determine eligibility, according to three criteria.

a) *grossEligibilityTest* = TRUE if {annual countable income} < [GrossIncomeEligibility]
b) *netEligibilityTest* = TRUE if Net Income < [NetIncomeEligibility]
c) *assetTest* = TRUE if {total countable assets} < [AssetTest]

Step 9: Determine annual benefit amount.

if (*grossEligibilityTest*=TRUE & *netEligibilityTest*=TRUE & *assetTest*=TRUE) then {
Benefit Value = min(max(12*[MaxBenefit]-*NetIncome**0.3, 12*[MinBenefit]), 12*[MaxBenefit])
}

Implementation-Specific Assumptions

Atlanta Fed

- We assume that the individual who is applying for SNAP and all family members meet work requirements (when applicable) for ABAWDs.

- We assume that utility expenses other than heating and cooling costs have no tangible effect on the total amount of SNAP benefits received (that is, we are not incorporating the limited or basic standard utility allowances, or SUAs).

Limitations

- People with disabled household members either do not face asset limits or have higher asset limits. The PRD does not include this logic.

- Every possible type of countable income is not listed in the PRD due to limitations on the amount of information is possible to collect and include in calculations. See https://www.law.cornell.edu/cfr/text/7/273.9, section b) for a precise definition of what income is countable and what is not.

- The PRD does not incorporate SNAP work requirements and time limits. G*eneral* work requirements apply to SNAP recipients ages 16–59 and include “registering for work, participating in SNAP Employment and Training (E&T) or workfare if assigned by state SNAP agency, taking a suitable job if offered, and not voluntarily quitting a job or reducing your work hours below 30 a week without a good reason.”[3] In addition to these general SNAP work requirements, many states have more stringent work requirements for ABAWDs ages 18-59. These additional work requirements can be met if ABAWDs satisfy one of the following:

    - In school or training at least half-time
    - Work part-time (80 hours a month)
    - Engaged in a workfare program

  ABAWDs who do not meet these additional requirements can receive SNAP only for three months within three years.

  SNAP has some exceptions to these ABAWD-specific requirements, including for those who:
    - are unable to work due to a physical or mental limitation
    - are pregnant
    - live in a household with someone who is under 18
    - are excused from the SNAP general work requirements
    - live in a geographic area with a waiver on ABAWD work requirements[4]

  ABAWDs who meet the work requirements have no time limits on their SNAP benefits. In addition, adults ages 16–59 with dependents, adults ages 16–17 without dependents, and adults ages 50–59 without dependents have no limits.

- Students enrolled at least half-time in a regular curriculum at a college or university degree program or in a business, technical, trade, or vocational school that normally requires a high school diploma or equivalent (GED) to attend are not eligible for SNAP unless they meet one of the federal exemptions barring this group of students from receiving SNAP. (The definition of “half-time” is determined by these institutions.)

[3] See https://www.fns.usda.gov/snap/work-requirements.

[4] A periodically updated source with the latest info on which states have waivers—and whether the waivers cover the whole state or just parts of the state—is available here: https://www.fns.usda.gov/snap/ABAWD/waivers.

When any of the following conditions are met, students enrolled in these institutions half-time or more can receive SNAP if they satisfy other criteria for SNAP receipt.[5] The PRD and the CLIFF tool, as of November 2021, assume that at least one of the following conditions are met:

- They are under age 18 or older than age 50.
- They have a physical or mental disability.
- They work at least 20 hours a week in paid employment.
- They participate in a state or federally financed work study program or an on-the-job training program.
- They care for a child under the age of six, are a single parent enrolled full-time in college and taking care of a child under 12, or both (a) care for a child age six to 11 and (b) lack the necessary childcare enabling them to attend school and work 20 hours a week or participate in work study.
- They receive TANF cash assistance.
- They are enrolled in a TANF Job Opportunities and Basic Skills (JOBS) program.
- Their assignment, placement, or self-placement in college was made through one of the following government programs supporting education and workforce advancement:

    - SNAP Employment & Training (E&T) programs
    - State or federally funded programs that have a component equivalent to SNAP E&T programs
    - WIOA programs
    - Trade Adjustment Assistance Programs under Section 236 of the Trade Act of 1974

- COVID-19 temporary adjustments are in effect and they either (a) are eligible to participate in state or federally financed work study during the regular school year, as determined by the institution they attend, or (b) have applied for financial aid and have been determined to have an Expected Family Contribution (EFC) of 0 in the current academic year. This temporary expansion will be in effect up through 30 days after the public health emergency is lifted.[6]

- Alaska and New York State have geographical variations in the heating and cooling standard utility allowances (HCSUA) values. Our calculations of HCSUA values in Alaska

[5] https://www.fns.usda.gov/snap/students

[6] https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2021-02-23/snap-benefits-eligible-students-during-covid-19-pandemic-ea-id-general-21-11-updated-april-5-2021

are the average of the Central, Northern, South-Central, and Southeast regions. When computing the average, we exclude the Northwest and Southwest areas because the HCSUA in these areas is double the values in other areas and very few people live there.

- The calculation of utility deductions assumes that the family is paying for heating and cooling separately from rent. Therefore, the calculations do not account for basic/limited utility allowances that can be granted to households who pay at least some of their utilities separately from rent. Examples of the variety of state approaches to additional SUAs beyond heating and cooling include those listed here: http://services.dpw.state.pa.us/oimpolicymanuals/snap/560_Income_Deductions/560_8_Shelter_Utility_Deduction.htm, https://dhs.maryland.gov/documents/Manuals/FSP%20(Food%20Supplement%20Program)%20Manual/214%20Utility%20Allowances/214-Utility-Allowances-rev-JULY-2020.pdf (which allows additional SUAs beyond heating and cooling), https://www.dss.virginia.gov/files/division/bp/fs/manual/P10.pdf (which allows no SUAs beyond heating and cooling), and https://eohhs.ehs.state.ma.us/DTA/PolicyOnline/BEACON5/!SSL!/WebHelp/SNAP/Expenses_and_Deductions/Household_Expenses/Standard_Utility_Expenses/Standard_Utility_Allowance_Expense_Introduction.htm (which allows SUAs beyond heating and cooling but does not allow SNAP recipients to claim more than one SUA).

- Some cars are excluded from the asset test (for example, if they are used primarily for income-producing purposes) and some cars are subject to an equity test. We do not include these custom logics. See http://help.workworldapp.com/wwwebhelp/vehicles_food_stamps.htm for details.

- As described on the USDA website, the SNAP program's *general* work requirements that can apply to SNAP recipients ages 16–59 include "registering for work, participating in SNAP Employment and Training (E&T) or workfare if assigned by your state SNAP agency, taking a suitable job if offered, and not voluntarily quitting a job or reducing your work hours below 30 a week without a good reason."[7] Several populations included in the PRD, including caretakers of children under six years old, are excluded from these general work requirements. Regardless, because these general SNAP work requirements do not require a set amount of work hours on the part of recipients but rather require engagement in services and not quitting a job or reducing hours—and there appears to be no state that mandates SNAP Employment

[7] See https://www.fns.usda.gov/snap/work-requirements.

and Training Program participation among non-ABAWD recipients—the PRD does not incorporate these general work requirements in SNAP.

2.1.3 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Overview

The Special Supplemental Nutrition Program for Women, Infants, and Children provides supplemental foods, health care referrals, and nutrition education for low-income pregnant, breastfeeding, and nonbreastfeeding postpartum women, and to infants and children up to age five who are found to be at nutritional risk.[8] WIC is federally funded through the annual appropriations process; states are not required to contribute funds. In 2017, 8 million people were served and the program cost $6 billion.[9] WIC provides vouchers for specific types of foods—such as whole-grain bread, baby food, infant formula, and milk—as well as separate “cash value vouchers” that participants can use to buy fruits and vegetables. WIC also provides infant formula to mothers who do not breastfeed. WIC provided an average value of $61.24 in food per participant per month in fiscal year 2016. WIC also provides other services. See the limitations section for details.

Eligibility Determination

Pregnant, postpartum (up to six months), and breastfeeding women (up to 1 year) as well as infants and children under age five who meet the requirements described below are eligible.[10] In addition to meeting these requirements, a health professional or a trained health official must determine that the applicants are at “nutrition risk,” such as being anemic or underweight or having a history of difficult pregnancies. For the purposes of determining eligibility in the PRD, we assume that applicants meet these requirements, as in practice “very few income eligible people fail to meet at least one of the nutritional risk criteria.”[11]

<u>Income Test/Categorical Eligibility</u>

To pass the income tests, applicants must either have gross household income at or below 185 percent of the FPL or be categorically eligible. An applicant who already receives SNAP (formerly food stamps), Medicaid, or Temporary Assistance for Needy Families cash assistance is categorically eligible for WIC, even if the program’s income limit is above 185 percent of poverty.

[8] https://www.fns.usda.gov/wic
[9] https://www.cbpp.org/sites/default/files/atoms/files/2-9-15PolicyBasics-WIC.pdf
[10] PRD calculations do not include the rules for pregnant populations at this time.
[11] https://www.ncbi.nlm.nih.gov/books/NBK223563/

Child Age Test and Time Limits

- Pregnant women throughout pregnancy and up to six weeks after the birth of the infant or end of the pregnancy
- Postpartum women up to six months after childbirth
- Women who continue to breastfeed their infants beyond six months are eligible for WIC benefits for up to a year after childbirth.
- Children may be eligible up to their fifth birthday.[12]

Countable Income, Net Income, and Asset Tests

Countable Income

In determining what sources of income to count, states can adopt either the income guidelines for the Free and Reduced Price School Lunch Program or the income guidelines for free or reduced price health care programs.

In general, the following income sources are counted under both guidelines: earnings, unemployment compensation, workers' compensation, Social Security, Supplemental Security Income, public assistance, veterans' payments, survivor benefits, disability benefits, pensions or retirement income, interest, dividends, rents, royalties and estates and trusts, education assistance, alimony, child support, financial aid from outside the household, and other income.

If the free and reduced price health care definition is used, the following sources of income are excluded for determining eligibility: the value of in-kind housing and other in-kind benefits and payments or benefits provided under certain federal programs (for example, some of the smaller social assistance programs such the Low Income Home Energy Assistance Program, benefits from the Free and Reduced Price School Lunch Program; and payments to members of various Indian tribes) (see Food and Nutrition Service Instruction 803–3, 1988).

Net Income and Deductions

WIC calculations do not feature deductions.

Asset Tests

There is no asset test for WIC.

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[12] https://www.benefits.gov/news/article/412

Value of Benefit Determination

The value of the benefit varies for infants under age one, children ages one to four, and women. WIC provides vouchers for specific foods, not EBT cards with money loaded on them. Thus, the value of WIC is estimated using the average pre-rebate food package costs in 2018, as calculated by the USDA. [13]

Using Policy Rules Database: List of Inputs and Calculations

List of Inputs

The required family-level information for determining eligibility modeled in the PRD are:

- The age of each member of the household **{age_1}, {age_2}, {age_3}, {age_4}, {age_5}, {age_6},{age_7}**
- Values of other government assistance programs: **{value.SNAP}, {value.TANF}, {value.Medicaid}**
- Current year **{currentyear}**

Calculations

Step 1: Calculate number of eligible infants, children, and women.
numinfants = count of number of eligible children under age 1 using {age_1}, {age_2}, {age_3}, {age_4}, {age_5}, {age_6},{age_7}.

numkidsage1to4 =count of number of eligible children age 1-4 using {age_1}, {age_2}, {age_3}, {age_4}, {age_5}, {age_6},{age_7}.

mother =mother of 1 or more children under age 1 is in household using {age_1}, {age_2}, {age_3}, {age_4}, {age_5}, {age_6},{age_7}

Step2: Determine categorical eligibility.
If {value.SNAP}>0 | {value.TANF} >0 | {value.Medicaid.adult}>0 | {value.Medicaid.child} >0 then *categorically.eligible*==TRUE

Step 3: Determine income eligibility.

[13] For women we combine the average costs for breastfeeding, postpartum women, and pregnant women due to similarity in costs. https://www.fns.usda.gov/wic/participant-program-characteristics-2018-food-packages-costs-report

If *categorically.eligible* == TRUE | [countable.income] < 185% of FPL then *income.eligible*==TRUE

Step 4: Calculate WIC value.
value.WIC= numinfants * [value.infant] + *numkidsage1to4* * [value.kidsage1to4] + *mother* [value.women]

Step 5: Inflate costs.
value.WIC= (*value.WIC* *12) 1.02^({currentyear}-[yearofdata])

Limitations

WIC benefits are not limited only to food. Participants have access to a number of resources, including health screening, nutrition and breastfeeding counseling, immunization screening and referral, substance abuse referral, and more. Due to difficulty estimating value, these benefits are not included in PRD calculations.

WIC provides vouchers for specific food packages for each population. The specific food packages provided are at www.fns.usda.gov/wic/wic-food-packages-maximum-monthly-allowances. The estimated costs of each food package is available at fns-prod.azureedge.net/sites/default/files/resource-files/WICPC2018FoodPackage_0.pdf. Due to difficulty with estimating which specific package participants would receive the PRD includes the average value of food for children ages one to four, infants ages birth to one, and pregnant and postpartum women.

In calculating the estimated value of WIC and duration of benefit, the PRD assumes postpartum women are breastfeeding.

Sources

1. National Research Council (US) Panel to Evaluate the USDA's Methodology for Estimating Eligibility and Participation for the WIC Program; Ver Ploeg M, Betson DM, editors. Estimating Eligibility and Participation for the WIC Program: Phase I Report. Washington (DC): National Academies Press (US); 2001. 2, Program Eligibility. Available from: www.ncbi.nlm.nih.gov/books/NBK223563/.
2. USDA Food and Nutritional Service. Department of Agriculture. WIC Participant and Program Characteristics 2018 Food Packages and Costs Report. Available from: www.fns.usda.gov/wic/participant-program-characteristics-2018-food-packages-costs-report.

2.1.4 Medicaid and Children's Health Insurance Program

Overview

Medicaid is a federal and state program that helps with medical costs for some people with limited income and resources. Medicaid also offers benefits that Medicare does not normally cover, including nursing home care and personal care services. CHIP provides health coverage to eligible children, through both Medicaid and separate CHIP programs. CHIP is administered by states, according to federal requirements. The program is funded jointly by states and the federal government.

Eligibility Determination

Eligibility for Medicaid and CHIP is based on the FPL. Income-eligibility thresholds vary by state and depend on whether adults have dependents. See the PRD for details.

Adults and children can get insurance through Medicaid and CHIP even if they have access to employer-sponsored health insurance.[14]

At this time, there are no work requirements for Medicaid.[15, 16]

Adults

- In those states that expand Medicaid, eligibility is 138 percent of the FPL (133 percent plus 5 percentage points income disregard).
- In states that did not expand Medicaid, adults without dependents are not covered by Medicaid.
- Under Section 1931 of the Social Security Act, low-income individuals with children are eligible for Medicaid if their income is below a certain threshold.[17] The threshold varies by state. See the PRD for details.

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[14] This is our current conclusion based on the available information. See https://khn.org/news/many-parents-with-job-based-coverage-still-turn-to-medicaid-chip-to-insure-kids/ as an example.

[15] Some states have attained or submitted waivers to implement Medicaid work requirements, which would disallow certain populations (primarily ABAWDs) from retaining Medicaid coverage without working or being in approved training/educational programs for a minimum number of hours. However, as of October 2020, all of these Medicaid work requirements have (1) been blocked by a court ruling, (2) been put on hold or halted by state governments themselves, (3) not yet been implemented, or (4) been submitted to the federal government but not yet approved.

[16] Currently, there are no states that have an active work requirement. Monitor status updates on state work requirements at https://www.commonwealthfund.org/publications/maps-and-interactives/status-medicaid-expansion-and-work-requirement-waivers.

[17] https://www.ssa.gov/OP_Home/ssact/title19/1931.htm.

- Some states have special Medicaid programs that extend Medicaid to adults to higher-income thresholds.

Children

- Eligibility limits may be different for infants under 1 and children ages 1–5 and 6–18, depending on the state.
- All states have Medicaid-funded coverage available for all children.
- Some states have CHIP-funded coverage for uninsured children with a higher eligibility threshold.
- Some states have a separate CHIP for uninsured children ages 0–18 with the highest eligibility limit.

Premium Determination

For families with incomes above 150 percent of the FPL, the amount states can charge for premiums and other cost sharing, such as copays, is capped at 5 percent of family income, due to federal rules. No state can charge premiums for Medicaid coverage for families whose income (as determined by Medicaid rules) falls below 150 percent of the FPL, and no state charges CHIP premiums for families making less than 133 percent of the FPL. States set the premium rates based on various income levels and other characteristics. Logics for copayments and costs-sharing determination are excluded from the PRD. See the Limitations section for details.

Countable Income, Net Income, and Asset Tests

Countable Income

Eligibility is based on the modified adjusted gross income (MAGI).[18] MAGI is calculated as gross income less certain tax-deductible expenses plus certain deductions.

[18] See https://www.investopedia.com/terms/m/magi.asp. *Gross income* includes alimony, business gains, capital gains, dividends, interest, farm income, rental and royalty income, retirement income, tips and wages. *Tax-deductible expenses* include certain business expenses for performing artists, reservists, and fee-basis government officials (educator expenses, half of any self-employment taxes, health insurance premiums (if you're self-employed), health savings account contributions, moving expenses for members of the Armed Forces moving due to active duty, penalties on early withdrawal of savings, retirement plan contributions (including IRAs and self-employed retirement plan contributions), student loan interest, tuition, and fees). *Deductions* include any deductions you took for IRA contributions and taxable Social Security payments, excluded foreign income, interest from series EE savings bonds used to pay for higher education expenses, losses from a partnership, passive income or loss, rental losses, and the exclusion for adoption expenses. Also see https://www.health care.gov/income-and-household-information/income/ for a list of MAGI.

Net Income and Deductions

See above.

Asset Tests

According to the Affordable Care Act (ACA) rules, no state can impose an asset or resource test on Medicaid applicants or recipients beginning in 2014.[19] Some states require asset tests for other programs adjacent to Medicaid programs, such as "spend-down" or "buy-in" programs, which primarily benefit families that include people with disabilities or long-term health conditions.

Value of Benefits Determination

To estimate the value of Medicaid, we use data on spending per enrollee that include both state and federal payments to Medicaid minus the premium. See the CLD for details on spending-per-enrollee data. The value of the Medicaid benefit for adults and children varies by state.

The premium amount depends on state, family size, and income. States have per-month, per-quarter, or per-year premiums.[20] In the PRD, we convert all premiums to annual amounts.

Special Rules and Provisions

Special State-Level Rules

Not all state-specific rules are included in the PRD. See the Limitations section for details.

Minnesota

> In Minnesota, the infant category under Title XIX-funded Medicaid includes insured and uninsured children up to age two whose family's income is below 275 percent of the FPL, and insured children up to age two from 275-288 percent of the FPL. PRD accommodates this state-specific logic by adjusting the age of one- and two-year-olds down to 0 in the function.
>
> Minnesota has implemented Basic Health Programs established by the ACA for adults with incomes between 138–200 percent of the FPL. Minnesotans not covered under

[19] See https://www.medicaidplanningassistance.org/medicaid-eligibility/.
[20] See http://files.kff.org/attachment/Table-14-Medicaid-and-CHIP-Eligibility-as-of-Jan-2020.pdf.

Medicaid but covered under the Basic Health Plan pay a sliding scale premium payment up to $80 per person per month.

See https://edocs.dhs.state.mn.us/lfserver/Public/DHS-4139A-ENG and https://mn.gov/dhs/people-we-serve/adults/health-care/health-care-programs/programs-and-services/minnesotacare-premium.jsp.

New York

New York has implemented Basic Health Programs established by the ACA for adults with incomes between 138–200 percent of the FPL. See https://www.health.ny.gov/health_care/managed_care/essential/2015-dec_annual_rpt.htm.

Texas

In Texas, income limit for parents and other caretaker relatives is based on monthly dollar amounts that differ depending on family size and whether there are one or two parents in the family.[21]

The PRD includes Texas's eligibility thresholds for a single parent only. Eligibility limits might be different for two-parent households. The error range is between -$420 per year (for the family of two) and +$252 per year (for the family of five-plus).

Medically Needy Program

This program is also known as the Medicaid buy-in" or Medicaid "spend-down" program. A Medicaid spend down is a financial strategy used when an individual's income is too high to qualify for Medicaid. To be accepted into the program, some of an individual's income must be spent down to ensure that his or her income is low enough to qualify for Medicaid.[22] Currently, the PRD does not include this provision.

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[21] See https://hhs.texas.gov/services/health/medicaid-chip/programs-services/children-families/medicaid-parents-caretakers.

[22] See an example of Florida's program: https://www.myflfamilies.com/programs/access/docs/medneedybrochure.pdf. For more information on spending down, see this Kaiser Family Foundation report: https://www.kff.org/report-section/medicaid-financial-eligibility-for-seniors-and-people-with-disabilities-findings-from-a-50-state-survey-issue-brief/. See Appendix table 3 of the Kaiser Foundation report for states' eligibility requirements: https://www.kff.org/report-section/medicaid-financial-eligibility-for-seniors-and-people-with-disabilities-findings-from-a-50-state-survey-appendix-tables/.

Using the PRD: List of Inputs and Calculations

List of Inputs

The required family-level information for determining eligibility modeled in the PRD are:

- State identifiers: **{stateName}** - name of the state or **{stateFIPS}** - FIPS code of the state
- Whether or not the family resides in Alaska or Hawaii **{AKorHI}**. {AKorHI}=1 if the family lives in AK or HI and 0 otherwise.
- The size of the family - **{famsize}**. {famsize} can take on values between 1 and 8.
- Total countable assets of the family {countableAssets} - see [ListofCountableAssets] specified in the PRD
- Modified adjusted gross income **{MAGI}**
- Age of the individual applying - **{age}**
- Whether an individual applying has dependents (tax dependent) or not - **{hasdependent}**
- The estimated per-person cost of the Medicaid program - **{exp.health care.medicaid}** (See the CLD for default values.)

Calculations

Step 1: Calculate annual total countable income.
{countableIncome} = sum([ListOfCountableIncome])

Step 2: Calculate earned income deduction.
EarnedIncomeDeduction = 0.2*{annual countable income}

Step 3: Determine what income eligibility limit is applied.

a) If state = Minnesota and age =2 or age=1 then age =0
b) if age >=0 & age <1 then *IncomeEligibility* = incomelimit.childAge0
c) if age >=1 & age <5 then *IncomeEligibility* = incomelimit.childAge1to5
d) if age >=5 & age <19 then *IncomeEligibility* = incomelimit.childAge6to18
e) If age >=19 & hasdependent==1 then *IncomeEligibility* = [incomelimit.Adult.withDependent]
f) If age >=19 & hasdependent==0 then *IncomeEligibility* = [incomelimit.Adult.noDependent]

Step 4: Determine eligibility.

a) *grossEligiblilityTest* = TRUE if {annual countable income} < *IncomeEligibility*

Step 5: Calculate CHIP premiums for children.

a) If {income}<=[IncomeBin1Max] then Premium.Child=[Premium.Child.Bin1]
b) If {income}>[IncomeBin1Max] & {income}<=[IncomeBin2Max] then Premium.Child=[Premium.Child.Bin2]
c) If {income}>[IncomeBin2Max] & {income}<=[IncomeBin3Max] then Premium.Child=[Premium.Child.Bin3]
d) If {income}>[IncomeBin3Max] & {income}<=[IncomeBin4Max] then Premium.Child=[Premium.Child.Bin4]
e) If {income}>[IncomeBin4Max] & {income}<=[IncomeBin5Max] then Premium.Child=[Premium.Child.Bin5]

Step 6: Assign premium for adults and children.

f) If {age} <19 & *grossEligiblilityTest* = TRUE then *Premium*=Premium.Child
g) If {age} >=19 & *grossEligiblilityTest* = TRUE then *Premium*=[Premium.Adult]

Step 7: Determine the Medicaid/CHIP benefit amount.

Benefit={exp.health care.medicaid}-Premium

Implementation-Specific Assumptions

Atlanta Fed

For purposes of calculating MAGI, we assume the household has no tax-deductible expenses or deductions.

Limitations

- Medicaid and CHIP logic for copayments and cost-sharing determination is excluded from the PRD. No state charges copayments for Medicaid or CHIP for families that have incomes under 150 percent FPL except Tennessee, which has a long-standing federal waiver that includes charges for Medicaid copayments among families with less than 133 percent of the FPL. The copayment schedules and what copayments cover vary by state. For details, see this Kaiser Family Foundation report: https://www.kff.org/report-section/medicaid-and-chip-eligibility-enrollment-and-cost-sharing-policies-as-of-january-2020-findings-from-a-50-state-survey-premiums-and-cost-sharing/.

- Currently, the PRD does not include the Medically Needy program (also known as the “Medicaid buy-in” or “Medicaid spend-down” program).

- The PRD does not include the following state-specific rules:

Massachusetts

Massachusetts provides subsidies for Marketplace coverage for parents and childless adults with incomes up to 300 percent through its ConnectorCare program.

The state's Section 1115 waiver also authorizes MassHealth coverage for HIV-positive individuals with incomes up to 200 percent of the FPL, uninsured individuals with breast or cervical cancer with incomes up to 250 percent of the FPL, and individuals with incomes up to 300 percent of the FPL who work for a small employer and purchase employer-sponsored insurance. The waiver also authorizes coverage through MassHealth CommonHealth for adults with disabilities with no income limit, provided that they have either met a one-time deductible or are working disabled adults.

Oklahoma

Oklahoma offers a premium assistance program to children ages 0 through 18 whose families have incomes up to 222 percent of the FPL and have access to employer-sponsored insurance through the state's Insure Oklahoma program.

Individuals without a qualifying employer who have incomes up to 100 percent of the FPL are eligible for more limited subsidized insurance though the Insure Oklahoma Section 1115 waiver program. Individuals working for certain qualified employers with incomes at or below 222 percent of the FPL are eligible for premium assistance for employer-sponsored insurance.

Virginia

In Virginia, eligibility levels for Section 1931 parents vary by region. PRD values are based on the eligibility level for region 2, the most populous region.

Wisconsin

In Wisconsin, children are not eligible for its separate CHIP program if they have access to health insurance coverage or employer-sponsored insurance that covers at least 80 percent of the cost.

2.1.5 Health Insurance Marketplace Subsidies

Overview

Health insurance marketplace subsidies provide subsidies for health insurance for those with incomes between 100 percent and 400 percent of the FPL. People pay a portion of their income toward health insurance. The amount of the individual responsibility portion varies by income level, age, and family size. The difference between the individual responsibility portion and the full cost of health insurance purchased on the health exchange is the estimated value of the program.

Eligibility Determination

Eligibility rules are set nationally and based on the FPL. Thus, the income limit to determine eligibility depends on the size of the family and which state the family lives in, as Alaska and Hawaii have a different FPL. Individual health contributions vary by six income levels. The share of income an individual pays depends on which income bin they are in and the location of their income within the income bin. Determining the share of income a person pays requires a linear extrapolation of the minimum and maximum shares possible within the income bin. See the PRD for a complete description.

Individuals are not eligible for Marketplace subsidies if they are able to access an affordable employer-sponsored health insurance plan. The affordability test only applies to coverage of the employee; the cost to add dependents to the plan is not counted. If the employee's coverage is considered affordable, dependents are not eligible for premium subsidies. This situation is known as the *family glitch*. For example, in 2021, employer plans are considered affordable if the premium paid for a self-only plan is less than 9.835 percent of income. The affordability benchmark is updated every fiscal year.

Countable Income, Net Income, and Asset Tests

Countable Income

Eligibility is based on MAGI.[23] MAGI is calculated as gross income less certain tax-deductible expenses plus certain deductions.

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[23] See https://www.investopedia.com/terms/m/magi.asp. *Gross income* includes alimony, business gains, capital gains, dividends, interest, farm income, rental and royalty income, retirement income, and tips and wages. *Tax-deductible expenses* include certain business expenses for performing artists, reservists, and fee-basis government officials (educator expenses, half of any self-employment taxes, health insurance premiums [if you're self-

Net Income and Deductions

See above.

Asset Tests

No asset tests.

Value of Benefits Determination

The value of the Marketplace subsidy is the portion of the unsubsidized costs of health insurance on the health exchange covered by the government. The family is paying a fixed portion of its income towards health insurance and the government covers the rest. An individual's contribution varies with income. The monthly value is obtained by subtracting the individual contribution from the cost of health insurance on the exchange. The marketplace allows for a certain amount of premium discrimination based on age ("age curves"). States can set their own age curves or use the federal age curve. See the Calculations section for details.

Special Rules and Provisions

American Rescue Plan Act of 2021

The American Rescue Plan of 2021 adjusted the premium tax credit in several ways:

- It removed the threshold at 400 percent for access to subsidies, establishing a ceiling of 8.5 percent of income to be spent on premiums for the benchmark second-lowest cost silver plan for people whose income exceeds 400 percent of the FPL.
- It lowered the maximum percentage of family's income paid towards a benchmark plan:
    - from 2.07 percent to 0 percent for individuals making between 100 and 138 percent of the FPL
    - from between 3.10 and 4.14 percent to 0 percent for individuals making between 139 and 150 percent of the FPL

employed], health savings account contributions, moving expenses for members of the Armed Forces moving due to active duty, penalties on early withdrawal of savings, retirement plan contributions [including IRAs and self-employed retirement plan contributions], student loan interest, and tuition and fees). *Deductions* include any deductions taken for IRA contributions and taxable Social Security payments, excluding foreign income, interest from series EE savings bonds used to pay for higher education expenses, losses from a partnership, passive income or loss, rental losses, and the exclusion for adoption expenses.

    - from between 4.14 and 6.52 percent to between 0 and 2.0 percent for individuals making between 151 and 200 percent of the FPL
    - from between 6.52 and 8.33 percent to between 2.0 and 4.0 percent for individuals making between 201 percent and 250 percent of the FPL
    - from between 8.33 and 9.83 percent to between 4.0 and 6.0 percent for individuals making between 251 and 300 percent of the FPL
    - from 9.83 percent to between 6.0 and 8.0 percent for individuals making between 301 and 400 percent of the FPL
- Unemployment Insurance payments can be exempted from income when claiming a higher premium tax credit. It can also be included in income when claiming the premium tax credit when tax filers are otherwise ineligible for it.

Special State-Level Rules

Vermont

Vermont also provides a 1.5 percent reduction in the federal applicable percentage of the share of premium costs for individuals who qualify for advance premium tax credits to purchase Marketplace coverage with income up to 300 percent of the FPL.

Using the PRD: List of Inputs and Calculations

List of Inputs

The required family-level information for determining eligibility modeled in the PRD are:

- The size of the family **- {famsize}**. {famsize} can take on values between 1 and 8.
- Whether the family is located in Alaska or Hawaii or not **-** {AKorHI}. {AKorHI}=AK if the family lives in AK, {AKorHI}=HI if the family lives in HI and 0 otherwise.
- The age of each member of the household **{age_1}, {age_2}, {age_3}, {age_4}, {age_5}, {age_5}, {age_6},{age_7},{age_8}**.
- Modified adjusted gross income **- {MAGI}**
- The cost of health insurance if purchased on the health exchange **- {exp.healthexchange}** (See the CLD for default values.)
- The cost of an individual plan if purchased through an employer **{premium.health care.individual}** (See the CLD for default values.)
- Year of fiscal rules **- {ruleYear}**

Calculations

An individual's contribution is a proportion of his or her income. This proportion varies by [IncomeBin]. Follow the steps below to determine eligibility and to calculate the premium and value of the ACA benefit.

Step 1: Determine ineligibility.
If {MAGI} < [IncomeLowerBound] OR {MAGI} > [IncomeBin6Max]
OR {premium.health care.individual} < [Affordability]*{MAGI}* then
ACAEligible =NO

Step 2: Determine the individual's contribution (indpremium).

a) Federal rules

If *ACAEligible* != NO then

If {MAGI} >= [IncomeLowerBound] & {MAGI} <= [IncomeBin1Max] then
IndPremium = {MAGI}*([ShareOfIncomesBin1.Initial]+({MAGI}-[IncomeLowerBound])*([ShareOfIncomesBin1.Final]-[ShareOfIncomesBin1.Initial])/([IncomeBin1Max]-[IncomeLowerBound]))

If {MAGI} > [IncomeBin1Max] & {MAGI} <= [IncomeBin2Max] then
IndPremium = {MAGI}*([ShareOfIncomesBin2.Initial]+({MAGI}-[IncomeBin1Max])*([ShareOfIncomesBin2.Final]-[ShareOfIncomesBin2.Initial])/([IncomeBin2Max]-[IncomeBin1Max]))

If {MAGI} > [IncomeBin2Max] & {MAGI} <= [IncomeBin3Max] then
IndPremium = {MAGI}*([ShareOfIncomesBin3.Initial]+({MAGI}-[IncomeBin2Max])*([ShareOfIncomesBin3.Final]-[ShareOfIncomesBin3.Initial])/([IncomeBin3Max]-[IncomeBin2Max]))

If {MAGI} > [IncomeBin3Max] & {MAGI} <= [IncomeBin4Max] then
IndPremium = {MAGI}*([ShareOfIncomesBin4.Initial]+({MAGI}-[IncomeBin3Max])*([ShareOfIncomesBin4.Final]-[ShareOfIncomesBin4.Initial])/([IncomeBin4Max]-[IncomeBin3Max]))

If {MAGI} > [IncomeBin4Max] & {MAGI} <= [IncomeBin5Max] then
IndPremium = {MAGI}*
([ShareOfIncomesBin5.Initial]+
({MAGI}-[IncomeBin4Max])*

([ShareOfIncomesBin5.Final]-[ShareOfIncomesBin5.Initial])/([IncomeBin5Max]-[IncomeBin4Max]))

If {MAGI} > [IncomeBin5Max] & {MAGI} <= [IncomeBin6Max] then
IndPremium = {MAGI}*([ShareOfIncomesBin6.Initial]+({MAGI}-[IncomeBin5Max])*([ShareOfIncomesBin6.Final]-[ShareOfIncomesBin6.Initial])/([IncomeBin6Max]-[IncomeBin5Max]))

b) Adjust for state-specific logics.
If state = Vermont (stateFIPS=5) & {MAGI} > [IncomeLowerBound] & {MAGI} <= [IncomeBin5Max] then
IndPremium = IndPremium - {MAGI}*0.015

Step 3: Determine the (annual) benefit value.
Annual Benefit Value = 12*{exp.healthexchange} - *IndPremium*

Implementation-Specific Assumptions/Limitations

Atlanta Fed

For purposes of calculating MAGI, we assume the household has no tax-deductible expenses or deductions.

Limitations

New York and Vermont have state-specific family tier ratios for the costs of the Second Lowest Cost Silver Plan. The PRD and CLD do not include this logic. See https://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Market-Reforms/state-rating#age for details.

2.1.6 The Housing Choice Voucher Program (Section 8)

Overview

The housing choice voucher program (*housing voucher*) is one of the major federal programs that assists very low-income families, the elderly, and the disabled in affording decent, safe, and sanitary housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants can find their own housing, including single-family homes, townhouses and apartments. Participants are free to choose any housing that meets the requirements of the program and are not limited to units in subsidized housing projects. Housing choice vouchers are administered locally by public housing agencies (PHA). The PHAs receive federal funds from the U.S. Department of Housing and Urban Development (HUD) to administer the voucher program. A housing subsidy is paid to the landlord directly by the PHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

Eligibility Determination

Eligibility for admission into the housing voucher program is determined by HUD and based on total annual gross income and family size. To be eligible for the Housing Voucher, a family must be income-eligible in accordance with the federal law.[24] To be income-eligible, a family must be (1) a “very-low-income-limit” family, with income below 50 percent of the median income for the county or metropolitan area in which the family chooses to live, or (2) a “low-income-limit” family, with income below 80 percent of the median income for the county or metropolitan area where the family live. The family is “continuously assisted” under the 1937 Housing Act, meaning the family is already receiving assistance under any 1937 Housing Act program—for example, public housing—when the family is admitted to the voucher program. Once admitted to the program, the family does not undergo any further income eligibility tests. HUD publishes median income levels (to determine VLIL and LIL), which vary by location. See the PRD for details.

There are additional criteria applied in certain cases to determine the eligibility of the family at admission. See the Limitations section for details.

[24] https://www.law.cornell.edu/cfr/text/24/982.201

Countable Income, Net Income, and Asset Tests

Countable Income

Eligibility for a housing voucher is based on the total annual gross income of the members of the family residing or intending to reside in the dwelling unit. Section 8 gross income includes actual asset income and imputed income from financial assets such as IRAs, annuities, and trusts, as well as from any equity value in a home.

Net Income and Deductions

Eligibility for and value of a subsidy is based on the adjusted income. Adjusted income means annual gross income after the following deductions: (1) dependent deduction, (2) elderly/disabled deduction, (3) unreimbursed medical expenses of any elderly family or disabled family, and (4) any reasonable childcare expenses necessary to enable a member of the family to work or to further his or her education.

Asset Tests

No asset tests.

Value of Benefits Determination

The value of a housing voucher is based on Total Tenant Payment (TTP) and gross rent. TTP is the minimum amount the family will pay toward rent and utilities. The TTP is either 30 percent of the monthly adjusted income or 10 percent of the monthly gross income, whichever is greater. The maximum housing assistance is the lesser of the payment standard TTP or the gross rent (rent plus utilities) for the unit minus TTP. Gross rent includes utilities.

Each PHA sets a payment standard that determines the maximum amount of the rent subsidy. For each family size (number of adults and number of kids) and each area PRD proxies the payment standard with the Fair Market Rent (FMR) for a given family type in a given area.[25]

To assign the FMRs to the family types, the PRD uses the following mapping. Adults and children must occupy separate rooms, a maximum of two adults can live in one room, and a maximum of two children can live in one room.

[25] Average utility expenses for a specific family type are calculated using data from the Consumer Expenditure Survey. See the CLD for details.

The amount of a subsidy is calculated as a minimum of gross rent or a payment standard minus TTP. See the Calculations section for details.

Special State-Level Rules

Not all state-specific rules are included in the PRD. See the Limitations section for details.

District of Columbia

Washington, DC, sets payment standard at 187 percent of the Fair Market Rent. (See http://www.dchousing.org/docs/oqk03xjd731.pdf.)

Using the Policy Rules Database: List of Inputs and Calculations

List of Inputs

The required family-level information for determining eligibility modeled in the PRD are:

- State identifiers: **{stateName}** - name of the state or **{stateFIPS}** - FIPS code of the state
- County identifiers: **{countyortownName}** - name of the state or **{countyFIPS}** - FIPS code of the county
- Number of adults in the household - **{numadults}**
- Number of kids in the household - **{numkids}**
- Childcare costs net of all subsidies - **{netexp.childcare}**
- Annual utility spending of the family - **{exp.utilities}** (See the CLD for default values.)
- Annual rent of the family - **{exp.rent}** (See the CLD for default values.)
- Total countable income of the household - **{income.countable}**
- The family is currently on Section 8 Housing Voucher - **{CurrentlyonSection8}**

Calculations

Step 1: Calculate annual total countable income.
{income.countable} = sum([ListOfCountableIncome])

Step 2: Calculate adjusted income.
AdjustedIncome = max(0, ({income.countable}- {netexp.childcare} - [DependentDeduction]*{numkids})

Step 3: Determine initial eligibility if necessary.

If {CurrentlyonSection8} =FALSE{
initialEligiblilityTest = TRUE if {income.countable} < [InitialEligibility]
}
OR
If {CurrentlyonSection8} =TRUE{
Go to steps 4-6
}

Step 4: Determine the Total Tenant Payment (TTP).
TTP = max(0.1*{income.countable}, 0.3**AdjustedIncome*)

Step 5: Determine benefit amount.
if (initial*EligibilityTest* = TRUE | {CurrentlyonSection8} =TRUE) then {
Benefit Value = max(min({exp.rent}+{exp.utilities},[MaxGrossRent])-*TTP,0*)
}

Step 6: Reset subsidy recipient flag if necessary
If Benefit Value>0 then CurrentlyonSection8[_n+1]=TRUE
If Benefit Value=0 then CurrentlyonSection8[_n+1]=FALSE

Implementation-Specific Assumptions

Atlanta Fed

- Calculations assume no disabled or elderly members of the household.
- Calculations assume that all childcare costs are "reasonable" as defined by each PHA.
- Calculations assume that the applicant is a citizen, or noncitizen who has eligible immigration status.

Limitations

- According to the law, some additional eligibility requirements may apply for certain families that PRD does not account for. For details, see https://www.law.cornell.edu/cfr/text/24/982.201.

- Determination of the TTP in certain cases includes welfare rent from the public agency and the PHA minimum rent. PRD does not include these provisions. For details, see https://www.hud.gov/sites/dfiles/PIH/documents/HCV_Guidebook_Calculating_Rent_and_HAP_Payments.pdf.

- Only U.S. citizens or noncitizens who have eligible immigration status are eligible for the subsidy. The law provides a definition of immigration statuses that fall under the eligible category. The PRD does not account for that. For details, see https://www.law.cornell.edu/cfr/text/24/982.201.

- A unified data source on the payment standard at the PHA level does not exist. For each family type and each area, the PRD approximates payment standards using FMR.

- The PRD does not account for the Small Area Fair Market Rents (SAFMRs) that are calculated at the ZIP code level and are required to be used to set Section 8 Housing Choice Voucher payment standards in areas designated by HUD. Instead, the PRD uses population-weighted average FMRs at the county level. For details about SAFMRS see https://www.huduser.gov/portal/datasets/fmr/smallarea/index.html.

- To assign an FMR to the family type, the PRD does not account for the HUD guideline that two children of opposite sex should occupy separate rooms.

- Childcare costs must be "reasonable," as determined by the PHA. We do not account for these limits in calculations.[26]

- There are further deductions available for people 62 and over and the disabled that are not accounted for here.

[26] See https://www.hud.gov/sites/documents/DOC_35615.PDF.

2.1.7 Head Start and Early Head Start

Overview

The Head Start and Early Head Start programs are administered by the Office of Head Start, within the Administration for Children and Families of the U.S. Department of Health and Human Services. Head Start and Early Head Start grantees provide services to over a million children every year in every U.S. state and territory, in farm worker camps, and in over 155 tribal communities. The Office of Head Start was appropriated $10.6 billion for fiscal year 2020.[27]

Eligibility Determination

Children from birth to age five and pregnant women from families with incomes below the poverty guidelines are eligible for Head Start and Early Head Start services. Children younger than three are eligible for Early Head Start, and children at least three years old up to school age (typically five years in most states) are eligible for Head Start. Children from families receiving Temporary Assistance for Needy Families (TANF) or SSI are categorically eligible.[28] Children who are homeless or in foster care are eligible as well.

Additionally, programs are allowed to enroll families whose incomes are below 130 percent of the poverty line, although the enrollment of these families are capped at 35 percent of participants.[29]

Head Start programs are required to operate a minimum of 3.5 hours per day, 4 days a week for 128 days per year, for an annual total of 448 hours. If it operates five days per week, the program must provide for care at least 160 days per year. By August 1, 2021, Head Start programs must provide 1,020 annual hours of class operation in a year to 45 percent of its enrollment.[30] Early Head Start programs must provide 1,380 annual hours for all center-based enrollees.

Once initial eligibility for Head Start or Early Head Start is determined, Head Start or Early Head Start providers are not required to reassess eligibility until the subsequent year after program entry. Individually, Head Start and Early Head Start rarely last for longer than two years for a

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[27] https://www.acf.hhs.gov/ohs/about

[28] https://www.federalregister.gov/documents/2015/02/10/2015-02491/head-start-program

[29]https://eclkc.ohs.acf.hhs.gov/policy/45-cfr-chap-xiii/1302-12-determining-verifying-documenting-eligibility and https://www.govinfo.gov/app/details/CFR-2010-title45-vol4/CFR-2010-title45-vol4-part1305/summary

[30]https://www.federalregister.gov/documents/2020/01/30/2020-00635/secretarial-determination-to-lower-head-start-center-based-service-duration-requirements

single child, meaning that after entry in either a Head Start or Early Head Start program, it will be rare for eligibility to be reassessed within that program during a child's engagement with it. However, providers offering both Early Head Start and Head Start programs—which appears to be most Head Start providers—are obligated to test children who transition from Early Head Start into Head Start again at Head Start entry.

Consequently, the calculation below should be run separately for to assess Head Start and Early Head Start eligibility.

Countable Income, Net Income, and Asset Tests

Countable Income

Employment Income, TANF, SSI, SSDI, Social Security, unemployment benefits, student aid income, child support/spousal support received, foster childcare payments, veterans benefits, other disability benefits, and most cash income. Non-cash government benefits, such as SNAP and housing subsidies, are not counted. Gifts are also not counted.[31]

Net Income and Deductions

There are no deductions.

Asset Tests

There is no asset test.

Value of Benefit Determination

Based on the description above of the hours of the Head Start and Early Head Start programs we make the following two assumptions when calculating the value of the benefit for each program. For the Head Start program, we assume it runs part-time during the school year. Thus, the value of Head Start is half the cost of childcare during the school year. For the Early Head Start program, we assume it runs part-time for the calendar year. Thus, the value of Head Start is half the cost of childcare during the schoolyear and half the cost of childcare during the summer. There is no copay. The value of the program does not phase out with income increases.

[31] https://ecfr.federalregister.gov/current/title-45/subtitle-B/chapter-XIII/subchapter-B/part-1305 Additional examples of gross cash income are listed in the definition of "income" which appears in U.S. Bureau of the Census, Current Population Reports, Series page 206 (available at https://www2.census.gov/prod2/popscan/p60-185.pdf).

Using the Policy Rules Database: List of Inputs and Calculations

List of Inputs

The required family-level information for determining eligibility modeled in the PRD are:

- **{countyortownName} -** name of the state or **{countyFIPS} -** FIPS code of the county
- Family size **- {famsize}**
- Total countable income of the family **{income.countable} -** see [ListofCountableIncome_CCDF] specified in the PRD
- The age of each member of the household **{age_1}, {age_2}, {age_3}, {age_4}, {age_5}, {age_6},{age_7}**.
- Unsubsidized total childcare expenses during the school year **{exp.childcare.schoolyear}**
- Unsubsidized total childcare expenses during the summer **{exp.childcare.summer}**.
- Value of Supplemental Security Income (SSI) **- {value.ssi}**
- Value of Temporary Assistance for Needy Families (TANF) **- {value.tanf}**

Calculations

Step 1: Calculate annual total countable income
{income.countable} = sum([ListOfCountableIncome])

Step 2: Determine eligibility

2a - Categorical eligibility
If {value.ssi} > 0 | {value.tanf} > 0 THEN categorically_eligibile=1

2b - Income eligibility
If (*AdjustedIncome* < [IncomeEligibilityLimit]) THEN income_eligibile=1

2c - Eligibility for Early Head Start
At least one child in the household (**{age_1}, {age_2}, {age_3}, {age_4}, {age_5}, {age_5}, {age_6},{age_7}**) is < 3 THEN early_head_start_age_eligibile=1

2d - Eligibility for Head Start
At least one child in the household (**{age_1}, {age_2}, {age_3}, {age_4}, {age_5}, {age_5}, {age_6},{age_7}**) is inrange(3, 4) THEN head_start_age_eligibile=1

2e - Asses Categorical Eligibility

if((categorical_eligibile=1 & early_head_start_age_eligibile=1) | (income_eligibile=1 & early_head_start_age_eligibile=1)) THEN early_head_start_eligibile=1

if((categorical_eligibile=1 & head_start_age_eligibile=1) | (income_eligibile=1 & head_start_age_eligibile=1)) THEN head_start_eligibile=1

Step 3: Assign value of program assuming full-time care

value.headStart=0.5*exp.childcare.schoolyear if head_start_eligible=1
value.earlyheadStart=0.5*exp.childcare.schoolyear + 0.5exp.childcare.summer if early_head_start_eligible=1

Limitations

- Foster children, children from homeless families, and pregnant women are eligible regardless of their foster family's income. These are not included in the PRD.
- PRD assumes that Head Start and Early Head Start programs provide full-time care. However, not all programs are full-time care. Head Start programs are required to operate a minimum of 3.5 hours per day, four days a week for 128 days a year, for an annual total of 448 hours. If it operates five days a week, the program must provide for care at least 160 days a year. By August 1, 2021, Head Start programs must provide 1,020 annual hours of class operation to 45 percent of its enrollment in a year.[32] Early Head Start programs must provide 1,380 annual hours for all center-based enrollees. Actual hours of operation vary by states and are not included in the PRD.
- A program may enroll an additional 35 percent of participants whose families' incomes are below 130 percent of the poverty line in some cases. See https://eclkc.ohs.acf.hhs.gov/policy/45-cfr-chap-xiii/1302-12-determining-verifying-documenting-eligibility for details. The PRD does not contain this detail.
- For the purposes of determining eligibility, the PRD uses a limited definition of countable income (See the PRD for the list.)
- There are several additional eligibility criteria not included that could apply to parents of children applying for Head Start, among which are whether the "family is eligible for or, in the absence of childcare, would be potentially eligible for public assistance; including TANF child-only payments."[33]

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[32] https://www.federalregister.gov/documents/2020/01/30/2020-00635/secretarial-determination-to-lower-head-start-center-based-service-duration-requirements

[33] https://eclkc.ohs.acf.hhs.gov/policy/45-cfr-chap-xiii/1302-12-determining-verifying-documenting-eligibility

2.1.8 State Funded Pre-Kindergarten

Overview

Pre-K is a state government-funded voluntary preschool program that offers free preschool. Pre-K programs are the largest publicly financed early childhood development program in the United States. According to the National Institute for Early Education Research (NIEER), 34 percent of all four-year-olds and 6 percent of three-year-olds were enrolled in a pre-K program in 2020.[34]

Eligibility Determination

Each state has its own rules for determining eligibility for state-funded pre-K programs.[35] Some states have programs for only four-year-olds while others have programs for both three- and four-year-olds. In some states, pre-K is available to all age-eligible children. Some states have income tests, categorical eligibility rules, or other eligibility tests. See the PRD for full details.[36]

Countable Income, Net Income, and Asset Tests

<u>Countable Income</u>

Gross income

<u>Net Income and Deductions</u>

No states have deductions.

<u>Asset Tests</u>

No states have asset tests.

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[34] See https://nieer.org/wp-content/uploads/2021/08/YB2020_Full_Report_080521.pdf

[35] See page 18 of See https://nieer.org/wp-content/uploads/2021/08/YB2020_Full_Report_080521.pdf

[36] Some states have more than one program for 3 year olds, 4 year olds or for both. Where there are more than one program we include the rules for the program with the highest enrollment rates.

Value of Benefit Determination

According to the NIEER, the majority of pre-K programs run partial days during the school year. For this reason, we assume the value of pre-k is half the cost of childcare during the school year.

Using the Policy Rules Database: List of Inputs and Calculations

List of Inputs

The required family-level information for determining eligibility modeled in the PRD are:

- State identifiers: **{stateName} -** name of the state or **{stateFIPS} -** FIPS code of the state
- Family size **- {famsize}**
- The age of each member of the household **{age_1}, {age_2}, {age_3}, {age_4}, {age_5}, {age_6},{age_7}**.
- Unsubsidized total childcare expenses **{exp.childcare}**. (See the CLD for default values.)
- The value of headstart {value.headstart} and the value of tanf {value.tanf}

Calculations

Step 1: Calculate annual total countable income.
{income.countable} = sum([ListOfCountableIncome])

Step 2: Determine eligibility.

2a - Categorical eligibility

See the PRD for categorical eligibility rules by state and age of child. The categorical eligibility rules are indicated in [cat_elig_4] and [cat_elig_3]. Categorical eligibility through free or reduced-price school meals implies categorical eligibility through TANF.

```
For persons i=1:8 {
If value.[cat_elig_4] &age_i==4 >0 then categorically_eligibile=1
If value.[cat_elig_3] &age_i==3 >0 then categorically_eligibile=1
}
```

2b - Income eligibility and age eligibility for each person

For persons i=1:8 {

If *GrossIncome* < [inc_elig_4] & age_i ==4 THEN income_eligibile=1

If (*GrossIncome* < [inc_elig_3] & age_i ==3 THEN income_eligibile=1

}

Step 3: Assign value of program.

For persons i=1:8 {

value.preK_i=0.5*exp.childcare.schoolyear if categorically_eligible==1 | income_eligible==1

}

value.preK=sum(value.preK_1- value.preK-8)

2.1.9 Child Care and Development Fund (CCDF) Subsidies

Overview

The Child Care and Development Fund (CCDF), also known as the Child Care and Development Block Grant, is administered by the Office of Child Care at the U.S. Department of Health and Human Services, and provides block grants to states, which are used to subsidize the childcare expenses of eligible working families with children under age 13. In addition to providing funding for childcare services, funds are also used to improve the overall quality and supply of childcare for families in general.

States are required to report the following about family incomes to the federal Office of Child Care: employment, including self-employment; cash or other assistance (TANF); housing assistance; assistance under the Food Stamp Act of 1977; and other assistance programs.[37] However, each state can make its own decisions on how to calculate income for eligibility purposes, including deductions, but must "take into account the typical household budget of a low income family," among other considerations.[38]

The CCDF program thus acts to reduce the childcare costs. The maximum value of CCDF subsidies is either the market rate of childcare families face or the maximum state payment rate (SPR) that states pay participating childcare providers.

Eligibility Determination

The CCDF subsidy is available for income-eligible working families with children under age 13 who require childcare. To be eligible for the CCDF subsidy, all adults in the household must either be working or enrolled in school or training.

CCDF has two income eligibility thresholds—*initial* eligibility (at entry) and *continuous* eligibility (at redetermination). Federal regulations require states to establish a continuous income eligibility threshold at or below 85 percent of the SMI for a family of a given size. States that set the initial eligibility threshold below 85 percent of the SMI must provide a graduated phaseout with two eligibility thresholds, one for initial eligibility, and another for continuous.

Some states have requirements on minimum hours. Each state must define "working or attending a job training and educational program" for CCDF eligibility. States often define this

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[37] 42 U.S. Code Subchapter II-B- Child Care and Development Block Grant § 9858i - Reports and Audits. https://www.law.cornell.edu/uscode/text/42/9858i.
[38] 45 CFR 98.21 - Eligibility determination processes. https://www.law.cornell.edu/cfr/text/45/98.21

as a minimum number of hours per week that the parent is involved in those activities. In Georgia, working is defined as a minimum of 24 paid work hours a week, while Tennessee requires 30 hours of paid work per week. Alabama requires 15 hours of paid work per week. Attendance at job training and educational programs may be assessed by the number of hours/week (like in Alabama, which requires 15 hours a week) or by other standards, like in Tennessee, where the total number of hours are those required by the educational program. The hours an individual is engaged in TANF-countable activities may count toward the eligible reasons for care under CCDF.

Additionally, in certain states, CCDF eligibility requirements around work hours, assets, or income can be bypassed due to categorical eligibility rules including the family's participation in other programs or benefit receipt such as TANF. Depending on a state, parents that are in high school, GED program, ESL program, college, or in other job-related training are categorically eligible, potentially based on what type of training or educational program they are enrolled in. In some states, high school students and college students must satisfy additional work requirements to be categorically eligible.

Countable Income, Net Income, and Asset Tests

Countable Income

States have discretion regarding what types of income is countable in CCDF eligibility determinations. Although income from wages is always counted as income, some states do not count TANF income, child support income, the value of housing assistance, and other common types of income. See the PRD to determine what counts as income in each state.

Net Income and Deductions

Some states also have deductions or disregards that reduce the income amount used for determining CCDF eligibility or copays. See the PRD to determine these state-specific variations.

Asset Tests

Under federal regulations, family assets cannot exceed $1,000,000, but some states set CCDF asset limits below this amount, and one state (Arkansas) attained a waiver to remove the asset test completely.[39] [40] Additionally, federal rule does not define family assets and each state decides what assets count towards the asset test. See the PRD to determine asset limits for each state.

Value of Benefit Determination

The CCDF program acts to reduce the childcare costs. The family's CCDF copayment is determined based on the state's sliding fee scale and capped at the state payment rate (SPR). Family copayment is typically determined on a sliding scale based on a family's income. Structure of these sliding fee scales is determined at the state level and varies significantly. Additionally, if a family lives in a state that does not allow childcare providers to charge the difference between their market rate and the SPR, the family effectively receives an additional discount on market rate coverage (a discount paid by childcare providers, not the state), of the difference between the SPR and the market rate. We call this difference between SPR and the market rate an "overage amount."

Using the Policy Rules Database: List of Inputs and Calculations

List of Inputs

The required family-level information for determining eligibility modeled in the PRD are:

- State identifiers: **{stateName} -** name of the state or **{stateFIPS} -** FIPS code of the state
- County identifiers: **{countyortownName} -** name of the state or **{countyFIPS} -** FIPS code of the county
- Family size **- {famsize}**
- Total countable income of the family **{income.countable} -** see [ListofCountableIncome_CCDF] specified in the PRD
- Total countable assets of the family **{assets.countable} -** see [ListofCountableAssets_CCDF] specified in the PRD
- The age of each member of the household **{age_1}, {age_2}, {age_3}, {age_4}, {age_5}, {age_6}, {age_7}**.
- Unsubsidized total childcare expenses **{exp.childcare}**. (See the CLD for default values.)

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[39] 45 CFR 98.20 - A child's eligibility for childcare services. https://www.law.cornell.edu/cfr/text/45/98.20

[40] Urban Institute, *Key Cross-State Variations in CCDF Policies as of October 1, 2018: The CCDF Policies Database Book of Tables*. Table 17.

Calculations

Step 1: Calculate annual total countable income and assets.
{income.countable} = sum([ListOfCountableIncome_CCDF])
{assets.countable} = sum([ListOfCountableAssets_CCDF])

Step 2: Calculate adjusted income.
AdjustedIncome = max(0, ({income.countable}-12*[incomeDisregard])

Step 3: Determine eligibility.

3a - Categorical eligibility

This includes only categorical eligibility rules for those parents who are pursuing job training. There are other categorical eligibility rules. See the *Limitations* section for details.

IF *parent* is in a training (including SNAP E&T and TANF/WIOA training) & [cat_elig_training] = 1 THEN *categorical_eligibility* = 1

3b - Income eligibility

If (*AdjustedIncome* < [ContinuousEligibility]) THEN *income_eligibility*=1

3c - Asset test

If ({assets} < [AssetTest]) THEN *asset_test*=1

3d - Age of children

At least one child in the household (**{age_1}, {age_2}, {age_3}, {age_4}, {age_5}, {age_5}, {age_6},{age_7}**) is younger than 13 THEN age_eligibility=1

IF *categorical_eligibility*==1 & *age_eligibility*==1 THEN eligibility=1
IF *categorical_eligibility*=0 & *income_eligibility*=1 & *asset_test*=1 & *age_eligibility*=1 THEN eligibility=1

Step 4: Assign full-time copay based on income.
We use *Florida* as an example of how full-time family copayments are determined by state. Each state has its own custom logic to determine family copayments. See the *Special Rules and Provisions* section for details.

Florida's copay varies by 19 income bins

if *AdjustedIncome* > 0 & *AdjustedIncome* <= [IncomeBin1Max] then *FTcopay*=[CopayBin1]
if *AdjustedIncome* > [IncomeBin1Max] & *AdjustedIncome* <= [IncomeBin2Max] then *FTcopay*=[CopayBin2]
if *AdjustedIncome* > [IncomeBin2Max] & *AdjustedIncome* <= [IncomeBin3Max] then *FTcopay*=[CopayBin3]
....
if *AdjustedIncome* > [IncomeBin17Max] & *AdjustedIncome* <= [IncomeBin18Max] then *FTcopay*=[CopayBin17]
if *AdjustedIncome* > [IncomeBin5Max] & *AdjustedIncome* <= [IncomeBin3Max] then *FTcopay*=[CopayBin18]

Step 5: Calculate total copay based on the needed amount of care.
For each child determine if the child needs full-time or part-time care.

If {age_i}<=4 THEN *typeOfCare*= Full-time
If {age_i}>=5 & {age_i}<=12 THEN *typeOfCare*= Part-time

Step 6: For each child calculate total school copay and total summer copay.
If typeOfCare==Full-time THEN *copay_school=195*FTcopay*
If typeOfCare==Part-time THEN *copay_school=0.5*195*FTcopay*
*copay_summer=65*FTcopay*
totalCopay = copay_school+copay_summer

Step 7: Calculate overage.
if([OverageOption=Yes] THEN overageCost={exp.childcare}-[spr_total]
if([OverageOption=No] THEN overageCost=0

Step 8: Calculate total subsidy.
Benefit = {exp.childcare}-totalCopay-overageCost

Limitations

- States have different rules around categorical eligibility for parents who are in a GED program, ESL program, high school or college. These rules are not included in the PRD.
- Some states have requirements around minimum work hours for each parent in the household. These requirements are not included in the PRD.
- Calculation steps above assume that family copayment for a part-time care is always a half of a copayment for full-time care. However, some states calculate part-time copayments based on a different assumption.

Special Rules and Provisions

Special State-Level Rules

Alabama

Eligibility Rules

Initial eligibility and continuous eligibility are set at a dollar amount chosen by the State and are not based on the FPL or SMI. The asset test is $1,000,000. TANF cash assistance is counted as income in determining whether a family's countable income exceeds CCDF income limits

Family Copayment Determination

The sliding scale copayment for families with CCDF subsidies is a weekly dollar amount per child with the same fee for each child based on monthly family income. No other factors, in addition to income and family size, determine each family's copayment. Lead Agency waives family contributions/copayments for families with an income at or below the poverty level for families of the same size.

Limitations

In Alabama, TANF cash assistance is counted as income in determining whether a family's countable income exceeds CCDF income limits, except when the TANF cash assistance amount is the "sole" reason for a family's income ineligibility. In this case, the TANF benefit is excluded for income eligibility purposes for six months.

State Payment Rates (SPRs)

SPRs to CCDF childcare providers are based on the region of the provider, age of child, quality rating, and type of childcare setting.

Alaska

Eligibility Rules

The initial eligibility limit is set at 185 percent of the FPL, while the continuous eligibility limit is set at 85 percent of the SMI. The asset test is $1,000,000. Child support is included as countable income. Housing assistance is partially included as countable income.

Family Copayment Determination

The sliding scale copayment for families with CCDF subsidies is a monthly percentage of a family's gross income, based on family size. Percentage of copayment is determined by the family's gross income as a percentage of SMI; the percentage of copayment ranges from 1 percent to 10 percent, and the income bins in terms of percentage of SMI raise by 1 percentage point increments, with calculated dollar values accompanying the percentage calculations. A copayment of $20 (monthly) is established as the minimum.

State Payment Rates (SPRs)

SPRs to CCDF childcare providers are based on the region of the provider, age group of child (infant, toddler, preschool, or school age), type of childcare setting, and full-time / part-time status of care provided (both monthly and daily; i.e. P/T month (Part month) = fewer than 17 days of care in any combination of part or full days in a month, or 17 through 23 part days of care during a calendar month)

Arizona

Eligibility Rules

The initial eligibility limit is set at 165 percent of the FPL, while the continuous eligibility limit is set at 85 percent of the SMI. Family assets cannot exceed $1,000,000. TANF benefits and child support are included as countable income.

Family Copayment Determination

The family copayment amount is a dollar amount that is fixed per child. The copayment fee is paid daily, either for a full day or partial day (Note: The amount included in the PRD assumes copayment for a full day, but the fee for a partial day is simply half of the fee per full day.) No additional fee is charged after a family has a certain number of children.

Arkansas

Eligibility Rules

Both initial and continuous eligibility limits are set at 85 percent of the SMI. Family assets cannot exceed $1,000,000. SSI benefits paid to adults are counted as income. TANF benefits are excluded.

Family Copayment Determination

The family sliding scale copayment fee for subsidized care is based on family size, monthly income, and quality rating of the childcare facility. The fee is the same regardless of the number of children in subsidized care. The state allows providers with two- and one-star quality designations to charge families receiving subsidies the difference between SPR and what the provider charges. Facilities with three-star quality designations receive a higher SPR and therefore are not allowed to charge the difference between SPR and provider charges to CCDF recipients.

State Payment Rates

SPRs to CCDF providers depend on whether the provider is located in a rural or urban county, the age of the child, the number of hours provided per day, and the quality of the care facility. Providers who care for children with special needs have higher payment rates.

California

Eligibility Rules

As of 2020, initial eligibility is 70 percent of 2018 SMI, continuous is 85 percent of 2018 SMI. The asset test is 1 million. The copayment fee is monthly, per family, based on the family's monthly income and size. Fee is either part time (less than 130 hours per month) or full time. The part-time to full-time price ratio is .5. There are 48 income bins.

California uses its own version of SMI, available at https://www.cde.ca.gov/sp/cd/ci/mb2012.asp. Note the income eligibility levels shown on this page are 85 percent of the SMI (continuous eligibility).

Family Copayment Determination

The sliding scale copayment for families with CCDF subsidies depends on family income relative to the state-determined SMI scale for their family size. The state limits copayments to no more than 10 percent of family income. Copayments for families receiving TANF program funds are waived.

State Payment Rates

SPRs, known as reimbursement ceilings in California, are dependent on the childcare setting (for example, center, family homes, relative care), whether the care provider is licensed or unlicensed, county of provider, and number of hours provided per week. According to page 137 of the state plan, state payment rates are currently set at the 75th percentile of the 2016 market rate survey.

Colorado

Eligibility Rules

As of 2021, initial eligibility is dependent on the county. The link to the copayment chart is at https://docs.google.com/spreadsheets/d/1WzobLnLoxGbN_JfTuw3jUCZV5N7IA_0uvwEkIoMt3Wk/edit#gid=1350122430. Continuous eligibility is 85 percent of the SMI. The asset test is 1 million. The copayment fee is monthly, per family, based on the family's monthly income, size, and number of kids in care. Fees are daily and are either part-time (0–5 hours), full-time (5–12 hours), full-time/part-time (12–17 hours), and full-time/full-time (17–24 hours). The part-time rate is 55 percent of the full-time rate. There are two income bins.

Family Copayment Determination

The sliding scale copayment for families with CCDF subsidies depends on family income relative to the FPL for their family size, as well as the number of kids in care. The county must assess a parent fee of one percent (1%) of gross income to eligible households with gross income that is at or below one hundred percent (100%) of the federal poverty guidelines (FPG). For eligible households with gross income that is above one hundred percent (100%) of the FPG, the county must assess a parent fee at one percent (1%) of their income plus a marginal rate increase of fourteen percent (14%) for every dollar of gross countable household income above one hundred percent (100%) of the FPG. An additional fifteen-dollar ($15) fee shall be added to the parent fee for each additional child when households are requesting care for more than one (1) child and have income above one hundred percent (100%) of the FPG. If care is only requested for one (1) child, the additional fifteen-dollar ($15) fee does not apply.

State Payment Rates

SPRs, known as reimbursement ceilings in California, depend on the childcare setting (for example, center, family homes, relative care), whether the care provider is licensed or unlicensed, county of provider, and number of hours provided per week. According to page 137 of the state plan, state payment rates are currently set at the 75th percentile of the 2016 market rate survey.

Connecticut

Eligibility Rules

Initial eligibility and continuous eligibility for active families are 50 percent and 85 percent of the SMI, respectively. The asset limit is $1,000,000. The family's monthly income in between redetermination periods can go up to 85 percent and they will still qualify for childcare subsidies. However, the family will only continue to receive subsidies if their monthly income is less than 65 percent of the SMI at annual redetermination.

Family Copayment Determination:

The family share, copayment, or sliding fee, is a percentage of the family's gross income. The percentage increases with family income. It is a per family fee.

State Provider Rates

SPRs to CCDF providers vary based on age of child, town/region of provider, the number of hours provided, and type of provider.

Delaware

Eligibility Rules

Initial income eligibility is set at 180 percent of the FPL, whereas the continuous income eligibility is set at 200 percent of the FPL, or 85 percent of the SMI. Family assets must not exceed $1,000,000.

Family Copayment Determination

The family copayment fee is a percentage of gross income, dependent on the family's income relative to the FPL. If the family's monthly income is less than 70 percent of the FPL, then copayment is waived and they pay 0 dollars. If it is between 70 percent and 105 percent, then 4 percent of gross income is applied to copayments. If it is between 105 percent and 200 percent, then 9 percent of gross income is applied to copayments. The fee is per family, regardless of the number of children in care. As the family's income or the family's size increases, the copayment fee also increases.

District of Columbia

Eligibility Rules

Initial eligibility is set to be below 250 percent of the FPL. Continuous eligibility is maintained for families whose income is equal to or below 85 percent of the state median income (or SMI). Family assets must not exceed $1,000,000.

Family Copayment Determination

The copayment fee is a fixed dollar amount per child, based on the household income and the size of the family. The fee increases as the monthly income of the family increases and as family size or number of children increases. The fee is charged up until a maximum of two children are in the family (specifically the two youngest children), after which point no additional fee is charged. Families are not charged a copay until their household income surpasses 100 percent of the FPL. The daily copay is charged for full-time or part-time, which has a copay of 50 percent of the full-time fee. There is also a difference in the fee for the first child (shown in the PRD) and second child, where the fee for the second child is approximately 35 percent of the first child fee.

Florida

State Eligibility Rules

Initial eligibility and continuous eligibility are 150 percent of the FPL and 85 percent of the SMI, respectively. Family assets must not exceed $1,000,000.

Family Copayment Determination

The family copayment fee is sliding scale dollar amount per child, with the same fee for each child. The fee is discounted for two or more children. All oldest kids get a discount. You are paying a part-time price for all older kids regardless if they need part-time or full-time care.

Each of the state's 30 early learning coalitions (ELC) and the Redlands Christian Migrant Association (RCMA) develops sliding fee scales based on the most current FPL and SMI. This information is provided in each coalition's school readiness plan or the RCMA contract and subject to approval from the Florida Office of Early Learning.

Providers are not allowed to charge parents copayments in excess of their private pay rate (the rate they would normally charge). Because providers in Florida collect copayments and deduct those copayments from the state payment rate (SPR) to CCDF providers that they receive from the relevant ELC, mathematically, copays can never exceed SPRs.

State Payment Rates

SPRs are determined locally by ELCs and the RCMA, which are approved by the Office of Early Learning.

Georgia

State Eligibility Rules

Initial eligibility and continuous eligibility are at or below 50 percent and at or below 85 percent SMI, respectively. Family assets must not exceed $1,000,000.

Family Copayment Determination

The sliding scale copayment fee is a percent of income based on family size. This percentage increases with family income. The fee is per family, regardless of the number of children in care. The fee is waived for families with gross income at or below 10 percent of the poverty guidelines.

State Provider Rates

Programs currently receive a 10 percent bonus for one star, a 20 percent bonus for two stars, and a 40 percent bonus for three stars. (See the Limitations section.)

In Georgia, the “before and after” rates should be used for school-age children during non-summer weeks, at least for the CLIFF tool. “Part-time” SPRs reflect use of CCDF to pay for full-time care one or two days per week (e.g. when there’s a holiday).

Hawaii

Eligibility Rules

Initial eligibility and continuous eligibility are both set at 85 percent of the SMI. Additionally, family assets may not exceed $1,000,00.00.

It is worth noting that the State of Hawaii has said it has not fully implemented the revised family income eligibility limits for the CCDF subsidy program.

Family Copayment Determination

The copayment fee is a monthly, per-family fee. It is calculated as a percent of the calculated childcare payment that the family earns as a subsidy. It is in a range from 0% to 90% of the childcare subsidy payment for each child, which itself is determined by “hours of childcare needed, hours of activity that the client(s) is engaged in, [and] the cost of childcare.” Thus each of the copay bins reflects a percentage of this subsidy payment that is determined to be the copay.

It is worth noting that the State of Hawaii has not yet fully implemented a revised sliding-fee scale for CCDF families that shows the copay based on income and family size. In other words, they have not yet developed a copay schedule that does not use the cost of care nor the subsidy payment amount to calculate the copay.

Iowa

Eligibility Rules

Initial eligibility is 200 percent of the FPL. Continuous eligibility is determined based either on income exceeding 225 percent of the FPL or 85 percent of the State Median Income, whichever is less. Family assets must not exceed $1,000,000. Countable income is based on gross family income, TANF, and child support received.

Family Copayment Determination

Copay Fee is a dollar amount based on the family’s monthly income, family size and number of children in care. There are 28 levels of determination (Level A - Level Z, Level AA and Level BB), where level A is 100 percent of the FPL. If a family's income is at or below the Level A income level (given their family size), they pay $0 in copayment. Above Level A, the copayment unit fee is a fixed dollar amount measured on a half-day unit of service. The copayment amount is based on amount of children in care as well - 1, 2, and 3 or more children.

Child Care Assistance payment rates are based on a half-day unit of service. The childcare rate tables for basic and special needs care (page 78 of https://dhs.iowa.gov/sites/default/files/13-G.pdf?110320211507) represent statewide maximum rate ceilings derived from a market rate survey of childcare providers. These rates are also dependent on the age group the children in care belong to.

Idaho

Eligibility Rules

In the state plan documentation (https://publicdocuments.dhw.idaho.gov/WebLink/DocView.aspx?id=140&dbid=0&repo=PUBLIC-DOCUMENTS), the link used for the initial income eligibility is broken. Based on the table on pg.84, it seems that the Initial eligibility is 126 percent of the FPL. Continuous eligibility is 150 percent of the FPL. Family assets must not exceed $1,000,000. Countable income is based on gross family income and child support received.

Family Copayment Determination

Copay Fee is a dollar amount based on the family's monthly income and family size. Copayment amounts are recorded as monthly and are also determined based on part-time activity or full-time activity. If total weekly hours exceed 25 or more, child is eligible for full-time; otherwise, if total weekly hours is 24 hours or less, the child is eligible. There are 4 income bins, with copayment increasing gradually for each income bin. Based on the bin, the copayment increases incrementally for each 1 person increase in the family size ($20 increase if in Income Bin 1, $25 increase if in income Bin 2, $50 if in income bin 3, and $75 if in income bin 4). The minimum copayment amount is $10 (if part-time activity) and $20 (if full-time activity).

Illinois

Eligibility Rules

Initial eligibility is 200 percent of the FPL and continuous eligibility is 225 percent of the FPL. Family assets must not exceed $1,000,000.

Family Copayment Determination

Fee is a fixed dollar amount per family. If all of the children in care from a family are of school age and are approved for part-time (less than 5 hours per day) day care for any month September through May, the parent share is 50 percent of the copayment amount. There are 20 income bins, from 40 percent of the FPL to 225 percent of the FPL, with 10 percent increments. Copay increases gradually for each income bin.

Indiana

Eligibility Rules

Initial eligibility is set at 127 percent of the FPL. Continuous eligibility is set at 85 percent of the SMI. Family assets must not exceed $1,000,000.

Family Copayment Determination

The copayment fee is a per-family fee, paid monthly. It is assessed as a percentage of the family's gross income. One important nuance is that the copayment increases based on how many years a family has been involved in the CCDF program. While the fee remains at the same percentage for years one to three (which is the percentage cited in the PRD), the percentages gradually increase for all subsequent years that the family is on CCDF. Thus, the longer the family is in the CCDF program, the more their copayment rises accordingly, until year 10, at which point it plateaus.

Kansas

Eligibility Rules

Initial eligibility is set at 185 percent of the FPL. Continuous eligibility is set at 85 percent of the SMI. Family assets must not exceed $10,000.

Family Copayment Determination

The copayment fee is a per-family fee, paid monthly. It is assessed as a set dollar amount based on the family's size and monthly gross income. The copayment is given in the form of a family share deduction (FSD), which means the total childcare benefit for the family is reduced. This reduction is essentially the copay assigned to that family. The family then receives the net amount after the FSD.

Kentucky

Eligibility Rules

Initial eligibility is set to be below 160 percent of the FPL. Continuous eligibility is maintained for families whose income is equal to or below 200 percent of the FPL. Family assets must not exceed $1,000,000.

Family Copayment Determination

The copayment fee is per child, based on the number of children and the size of the family. The fee increases as the monthly income of the family increases, but not necessarily as family size or number of children increases. No additional fee is charged after a certain number of children or a certain family size.

Louisiana

Eligibility Rules

Initial eligibility is less than 55 percent of the SMI. Continuous eligibility is maintained for families whose income is below 85 percent of the SMI. Family assets must not exceed $1,000,000.

Family Copayment Determination

The copayment fee is per child, with the same fee for each child. No additional fee is charged after a certain number of children.

State Payment Rates

SPRs to CCDF providers vary by age of child and type of provider setting. SPRs are daily rates and are the same statewide.

Maine

Eligibility Rules

Initial and continuous eligibility are set at 85 percent of the SMI. Family assets must not exceed $1,000,000.

Family Copayment Determination

The copayment fee is on a per-family basis, paid monthly. The amount of this fee is determined as a percentage of the family income, with that percentage based on what the family income is in relation to the FPL. For instance, a family whose income falls between 26 percent and 50 percent of the FPL would pay a copayment fee of 4 percent of the family income. The first income bin is maxed out at 25 percent of the FPL, and then increases by 25 percentage points of FPL—up to 150 percent of the FPL—for each income bin, and then jumps to 250 percent of the FPL for the last income bin. The copayment fee starts as 2 percent of the family income, then goes up to 4 percent, 5 percent, 6 percent, 8 percent, 9 percent, and 10 percent at each respective income bin.

Maryland

Eligibility Rules

Initial eligibility is set at 65 percent of the SMI, while continuous eligibility is set at 85 percent of the SMI. Family assets must not exceed $1,000,000.

Family Copayment Determination

The copayment fee is a dollar amount paid on a weekly per-family basis. The copay scale varies by different regions in the state. Additionally, the program uses unique definitions of full-time and part-time. *Full-time* is referred to as three units of childcare, which is 30 hours or more per week. *Part-time* is one or two units; a unit is less than 16 hours of care per week and two units are 16 to 29 hours per week. The youngest child in the family is the one who is assessed the highest copayment. The second and third children (next oldest) are assessed lower copayments but equal to each other. No children after the third require copayments. The amounts in the PRD reflect three units of service per day of the week but to calculate the two-unit and one-unit copays, the numbers can be multiplied by two-thirds and one-third, respectively.

Massachusetts

Eligibility Rules

Initial eligibility is set at 50 percent of the SMI, while continuous eligibility is set at 85 percent of the SMI. Family assets must not exceed $1,000,000.

Family Copayment Determination

The copayment fee is on a per-family basis, paid monthly. The amount of this fee is determined as a percentage of the family income above the poverty level. For each family's gross income, it is necessary to first subtract the FPG for that family size—which is equal to the maximum of the first income bin—from that income and then multiply this amount by the corresponding percentage to calculate the copayment fee.

Michigan

Eligibility Rules

The initial income eligibility is 130 percent of the FPL, while the continuous eligibility limit is 85 percent of the SMI. Family assets must not exceed $1,000,000.

Family Copayment Determination

The copayment fee is on a per-child basis, paid every pay period, which is every two weeks. It is a dollar amount based on where the family's income lies in the income bins.

Despite assessing the fee based on the number of children, the fee has a maximum per family. In other words, every family has a limit, or a maximum amount, for the copayment every pay period. Respectively, for the seven income bins, where the per-child contributions are $0, $15, $30, $45, $60, $69, and $78, the maximum amounts are $0, $45, $83, $121, $143, $164, and $186.

Minnesota

Eligibility Rules

The initial income eligibility is 47 percent of the SMI, while the continuous eligibility limit (at redetermination) is 67 percent of the SMI. Family assets must not exceed $1,000,000.

Family Copayment Determination

The copayment fee is paid per family every pay period, which is every two weeks. It is a dollar amount based on where the family's income lies in the income bins and the family size. As the family's income or the family's size increases, the copayment fee also increases.

Mississippi

Eligibility Rules

Both the initial and continuous income eligibility limits are 85 percent of the SMI. Family assets must not exceed $1,000,000.

Family Copayment Determination

The copayment fee is a per-family monthly payment. It is a dollar amount based on where the family's income lies in the income bins and the family size. Income bins are $1,000 ranges that increase by $1,000 per bin. Depends on the family size, a family has no copayment if they are at or below the 2021 FPL. Once the family's income exceeds the 2021 FPL for their size, the amount of copayment increases when the family's income increases enough to put them in the next bin.

Missouri

Eligibility Rules

The initial income eligibility is 138 percent of the FPL, while the continuous eligibility limit is 85 percent of the SMI. The gradual phaseout for the Child Care Subsidy program in Missouri when the family is no longer eligible for the traditional level of Program is referred to as Transitional Child Care. For certain income levels above the income eligibility limit, the state covers a percentage of the maximum state base rate after all rate enhancements are applied and the sliding fee is deducted. These percentages depend on the family income and which level they qualify for. At level A, the state pays 80 percent of the maximum base rate/ At level B, the state pays 60 percent of the maximum base rate.

Family assets must not exceed $1,000,000.

Family Copayment Determination

The copayment fee is paid daily per child, with the same fee for each child. It is a dollar amount based on where the family's income lies in the income bins and the family size.

For the first income bin for all households, the copay is a yearly fee of just $1, which is equivalent to a fee of $0.00274 per day (which is what the PRD reflects). Additionally, for each other income bin, there is a sliding copayment fee for each of the following: part-time, half-time, and full-time care. Part-time care is a half hour to three hours of care; half-time care is three hours to five hours of care; and full-time care is five to 12 hours of care. It is important to note that part-time care is not simply half of the fee for full-time care, as it is in many other states, so the full-time and part-time fees are both reflected in the PRD.

Montana

Eligibility Rules

For families not receiving TANF, initial eligibility is based on the household's monthly income, which must be below 150 percent of the FPL based on family size. Continuous eligibility is between 150 percent and 185 percent of the FPL. There are 20 income bins. Countable income includes gross unearned and earned monthly income of all adult and minor members of the household. Unearned income includes child support income. TANF cash benefits are also counted, although TANF cash supplement - FS countable and work support payments through the TANF program are not counted towards eligibility. See detailed guidance on countable income here: https://dphhs.mt.gov/Portals/85/ecfsd/documents/ChildCare/policymanual/CC26IncomeTable070718.pdf. Family assets must not exceed $1,000,000.

Parents must work or attend school or vocational training to receive childcare payments. A single parent must be working a minimum of 60 hours each month or attend school/vocational training full-time. If attending school or vocational training part-time, they must work 40 hours per month. A two-parent household must work 120 hours per month, but there is no minimum number of hours that each parent must work in a month.

The monthly minimum hourly work requirement doesn't apply to households receiving TANF cash assistance or to teen parent(s) attending high school or an equivalent program. Assistance is not available to parents seeking postsecondary education beyond a bachelor's or its equivalent or to a parent who has earned a degree within the past five years. For the latter group, they may not be eligible due to education purposes, but could possibly be eligible based on other eligibility criteria (work hours and income).

Family Copayment Determination

Copay increases gradually from 1 percent to 20 percent with incremental increase by 1 percent per income bin.

The fee is based on household size and gross monthly income. The percentage depends on the family's gross monthly income in relation to the FPG, family size, and whether the family is over income for the non-TANF childcare assistance program. It is per family and paid to the provider monthly. If the month's cost of childcare is less than the monthly copayment, the family pays only the cost of care. Parents receiving TANF must pay the $10 minimum copayment amount, regardless of household size or income.

State Provider Rates

SPRS to CCDF providers vary by type of childcare setting, quality of care, and age of child, and whether care is provided full or part-time. Part-time day rate is used when care is provided for six or less hours during a calendar day, and full-time day is calculated when care is provided for more than 6 hours and up to 12 hours during a calendar day. Higher rates are paid to children with disabilities and children with special needs (defined differently).

Nebraska

Eligibility Rules

Initial income eligibility is set at 185 percent of the FPL, whereas the continuous income eligibility is set at 85 percent of the SMI. Family assets must not exceed $1,000,000. Countable income includes the family's gross income, as well as child support.

Family Copayment Determination

The family copayment fee is a percentage of a family's gross income on a monthly basis. The total amount of the sliding fee assessed will be based on 7 percent of the household's gross income for all of their children enrolled in the subsidy program. It will not vary with the number of children in care, the amount of care they need, or the type of care they choose to use. The sliding fee must be paid each month to the provider before the provider bills the department, it covers the first dollars of payment, regardless of when service begins or ends. The fee is per family, regardless of the number of children in care. If the family's income is equal to or less than 100 percent of the FPL, then the family pays $0 copayment.

A family's income must not be greater than 185 percent of the FPL at initial application to be eligible for childcare subsidy. (1) 0% FPL to 100% FPL = No sliding family fee (2) 100% FPL to 185% FPL = Sliding family fee (3) Over 185% FPL = Over income, not eligible. Once a family is determined to be eligible and childcare is authorized, and if the family's income exceeds 200 percent of the FPL during their certification period, they will now continue to remain eligible for TCC through the rest of their certification period as long as their income is under 85 percent of the SMI. If their income exceeds 85 percent of the SMI, childcare is closed and they are no longer eligible. If the family's income exceeds 200 percent of the FPL but remains under 85 percent of the SMI, they will remain eligible through the rest of their certification period. If income exceeds 85 percent of the SMI, then childcare subsidy is closed and they are no longer eligible.

Nevada

Eligibility Rules

Initial income eligibility is set at 130 percent of the FPL, whereas the continuous income eligibility is set at 85 percent of the SMI. Family assets must not exceed $1,000,000. Countable income includes the family's gross income, TANF, and child support.

Family Copayment Determination

The family copayment fee isn't explicitly provided; instead, Nevada provides a percentage of the subsidy paid for by the state. This percentage decreases as the family income increases. The maximum amount the state pays for is 95 percent. While the percentage paid for by the state is solely based on the family's income, the daily provider rates are based on county and the age group for each child in care (infant to less than 1, toddler (1 to 2 years old), preschool (3 to 5 years old), school age (6 to 12 years old). There are different provider types for care, based on licensing. For convenience, we only look at provider type ***1.*** We then calculate the number of days of care for each child depending on their age group, calculate the total cost be multiplying the days of care and the associated rates, and then determine the total copayment by multiplying the total cost by what percentage the family pays (by subtracting the percentage the state pays from 100 percent).

New Hampshire

Eligibility Rules

Initial income eligibility is set at 220 percent of the FPL, whereas the continuous income eligibility is set at 250 percent of the FPL, or 85 percent of the SMI. Family assets must not exceed $1,000,000.

Family Copayment Determination

The family copayment fee is a percentage of a family's gross income on a monthly basis. This percentage increases with family income. The fee is per family, regardless of the number of children in care. As the family's income or the family's size increases, the copayment fee also increases.

New Jersey

Eligibility Rules

Initial income eligibility is set at 200 percent of the FPL, whereas the continuous income eligibility is set at 250 percent of the FPL. Family assets must not exceed $1,000,000. Countable income includes the family's gross income, TANF, and child support.

Family Copayment Determination

The family copayment fee is a dollar amount based on the family's gross income on a monthly basis. There are 31 income bins, starting at 100 percent of the FPL and increasing by 5 percent per bin. The fee is based on family income, family size and the number of kids in care. The copayment amount is based on whether or not the family has one kid in care, or two or more kids in care. As the family's income or the family's size increases, the copayment fee also increases.

New Mexico

Eligibility Rules

Initial income eligibility is set at 150 percent of the FPL, whereas the continuous income eligibility is set at 200 percent of the FPL. Family assets must not exceed $1,000,000.

Family Copayment Determination

The family copayment fee is a dollar amount the family pays monthly. Although the fee is assessed per child, it is discounted for two or more children. Thus, as family size increases for a particular income bin, the copayment may not necessarily increase. However, as the family income increases, the copayment increases as well.

New York

Eligibility Rules

Initial and continuous eligibility are set at 200 percent of the FPL. Family assets must not exceed $1,000,000.

Family Copayment Determination

The family copayment fee is a percent of income and is per family. The family fee is a single fee, not dependent on the number of children in care or whether full- or part-time care is needed. Each district must indicate the family share percentage it will use (from 10 percent to 35 percent) to determine the family's share of the costs of childcare.

The family share is determined as follows:

1. Determine the annual gross income for the eligible family.
2. Subtract the state income standard (SIS) for the specific family size of the CCSU from the annual gross income of the CCSU to obtain the difference.
3. Multiply the difference by the district's selected percentage, designated in the CSP/ICP, to get the annual family share.
4. Divide the annual family share by 52 to get the weekly family share. A minimum weekly family share of $1 must be charged to each family receiving childcare services that is required to pay an income-based portion of a family share. Each family receiving childcare services is responsible for paying only one income-based family share regardless of the number of children in the family who are receiving childcare services.

The SIS is equal to the federal poverty level.

State Payment Rates

New York sets its SPRs at the 69th percentile market for care as determined by the latest market rate survey. Unlike many other states, New York's official documentation often uses the term "market rate" to refer to the maximum reimbursement rate for providers.

New York's SPRs are listed as daily, weekly, part-day, and hourly rates. Weekly rates are applied when care is provided for 30 or more hours for five or less days/week. Daily rates are applied for care provided between six but less than 12 hours per day and less than 30 hours in a week. Part-day rates are when care is provided for at least 3, but less than 6 hours/day. Hourly rates are applied when less than 3 hours of care is provided per day. Specific guidance for using each type of rate is available on pages 41-42 in the NY Child Care Subsidy Regulations and Resources Manual.

North Carolina

Eligibility Rules

Initial and continuous eligibility are set at 85 percent of the SMI. Family assets must not exceed $1,000,000.

Family Copayment Determination

The family copayment fee is 10 percent of gross income and is per family. This percentage does not change with family size nor as gross income changes.

North Dakota

Eligibility Rules

Initial income eligibility is set at 60 percent of the SMI, whereas the continuous income eligibility is set at 85 percent of the SMI. Family assets must not exceed $1,000,000.

Family Copayment Determination

The family copayment fee is a dollar amount, which is based on a percentage of the State Median Income, on a monthly basis. This percentage starts at 10 percent of the SMI, then proceeds by 10 percent intervals up to 60 percent, then caps out at 85 percent of the SMI. The fee is per family, regardless of the number of children in care. As the family's income or the family's size increases, the copayment fee also increases.

Ohio

Eligibility Rules

Initial eligibility is set at 85 percent of the SMI, and continuous eligibility is set at 300 percent of the FPL. As the state plan specifies, “Families remain eligible until income is at or above 300% of the FPL, which is greater than 85% SMI.” Family assets must not exceed $1,000,000.

It is important to note that the state of Ohio uses additional funding sources to fund childcare subsidies, which means the state does not have to follow federal regulations regarding the use of non-CCDF funds for families with incomes above 85 percent of the SMI. Specifically, Ohio can use more than 30 percent of TANF funds to fund childcare subsidies. If the state were to transfer funds from TANF to CCDF funding, then the funding would be subject to CCDF rules. However, simply using TANF funds to expand childcare subsidies may give Ohio (and other states) more flexibility to either extend subsidies to more people or broaden the eligibility criteria, such as with income, in Ohio.

Family Copayment Determination

The family copayment fee is based on the family’s gross income, represented as a percentage of the FPL, on a monthly basis. This percentage increases with family income. The fee is per family, regardless of the number of children in care. As the family’s income or the family’s size increases, the copayment fee also increases. If the family’s income is at 100 percent of the FPL or less, they pay $0 in copayment.

Oklahoma

Eligibility Rules

Initial and continuous eligibility is 85 percent of the SMI. Children receiving SSI or TANF cash assistance are eligible for subsidized childcare. Family assets must not exceed $1,000,000.

State Payment Rates

SPRs to CCDF providers Starting March 1, 2020, the rates for three-star care, a quality designation, were increased to 75th percentile market rate as determined through the 2017 Market Rate Survey for children ages 0-3.

Family Copayment Determination

Family copayment for subsidized care is a monthly amount that depends on the number of children in care, income, and family size. The families of children receiving SSI or TANF cash assistance, those whose incomes are at or below the poverty level for families of the same size, and/or families with a child attending an Early Head Start-Child Care Partnership program do not need to pay a copayment.

Oregon

Eligibility Rules

The initial eligibility income limit is 185 percent of the FPL. For continuous eligibility, the income limit is 85% of SMI or 250 percent of the FPL, whichever is higher. Family assets must not exceed $1,000,000. These eligibility rules are established by the Oregon Department of Health Services (ODHS).

State Payment Rates

State rates are dependent on the age group of the child (less than 1 [non-licensed carrier] or less than 2 [licensed] = infant, 1 [non-licensed] or 2 [licensed] to 3 years old = toddler, 3 to 5 years old = toddler, 6 to 12 years old = school age), as well as whether or not a child is of special needs. Providers are grouped based on zip code (three total groups, as well as the provider and/or family type, which are represented by the rate maximums (standard = standard family rate & standard center rate, enhanced = enhanced family rate & enhanced center rate, and licensed = Registered Family Rate, Certified Family Rate, and Certified Center Rate).

Family Copayment Determination

The copayment fees, established under the ERDC (Employment Related Day care) program, are monthly, dollar-amount payments paid per family. As income increases such that the family's income is placed in the next income bin, the copayment fee increases as well.

Pennsylvania

Eligibility Rules

The initial eligibility income limit is 200 percent of the FPL, while the continuous eligibility income limit is 235 percent of the FPL. Family assets must not exceed

$1,000,000. Countable income is determined as the family's gross income and child support.

Family Copayment Determination

The copayment fees are weekly, dollar-amount payments paid per family. As income increases such that the family's income is placed in the next income bin, the copayment fee increases as well. There are a total of 37 income bins, with a minimum copayment amount of $5 at the lowest income bin.

Rhode Island

Eligibility Rules

The initial eligibility income limit is 180 percent of the FPL, while the continuous eligibility income limit is 225 percent of the FPL. Family assets must not exceed $1,000,000. Countable income is determined as the family's gross income, TANF, and child support.

Family Copayment Determination

The copayment fees are determined as a percentage of a family's gross income and are monthly. Income bins are determined as a percentage of the FPL, ranging from 100 percent, 125 percent, 150 percent, 180 percent, 200 percent, and 225 percent, resulting in 6 income bins. If a family's income is at or below 100 percent of the FPL, they pay zero copayment. This copayment percentage increases to 2 percent, 5 percent, 8 percent, 10 percent, and 14 percent at each income bin established above 100 percent of the FPL, respectively.

South Carolina

Eligibility Rules

Families with income at or below 55 percent of the SMI for their family size are eligible for childcare assistance. Families will continue to be eligible for childcare assistance as long as their income does not exceed 85 percent of the SMI. Assets must not exceed $1,000,000.

Family Copayment Determination

Families must pay copayments based on family size and monthly income for each child every week. Families receiving TANF cash assistance do not pay a copayment for childcare assistance. The copayment fee is assessed as a fixed dollar amount, per child, with the same fee for each child.

State Payment Rates

State payment rates for center-based care vary depending on the provider's quality rating, child's age, and whether the provider is located in a rural or urban county. Half-time rates are paid for childcare provision less than 30 hours but more than 15 hours per week. Full-time rates are paid when childcare is provided for 30 or more hours a week.

South Dakota

Eligibility Rules

Families with income at or below 291 percent of the FPL for their family size are initially eligible for childcare assistance. Families will continue to be eligible for childcare assistance as long as their income does not exceed 85 percent of the SMI. Assets must not exceed $1,000,000.

Family Copayment Determination

The family copayment fee is a specified monthly dollar amount based on the family's gross income. This dollar amount increases as family income increases. The fee is per family, regardless of the number of children in care. Four percent of a family's gross income is disregarded when determining the copayment amount. After adjusting for the 4 percent income disregard, a family will pay $0 in copayment if the family's adjust income is less equal to or less than 160 percent of the FPL. If it's above 160 percent of the FPL, a family's copayment fee will be between 1 percent and 12 percent of the family income,

Tennessee

State Eligibility Rules

Initial eligibility is 60 percent of the SMI, while continuous eligibility is 85 percent of the SMI. Family assets cannot be greater than $1,000,000.

Family Copayment Determination

Family copayment fee is per child, discounted for two or more children, up to a maximum per family. The Lead Agency waives family contributions/copayments for families with income at or below the poverty level for families of the same size.

State Payment Rates

SPRs to CCDF providers depend on the childcare setting, quality rating, and age of child. Rates for school-aged children vary depending on whether school is in or out of session.

Texas

State Eligibility Rules

Income eligibility varies based on local Workforce Development Boards (Boards) rules. For initial eligibility can be lower than 85 percent of the SMI and continuous eligibility cannot be greater than 85 percent of the SMI. Family assets cannot exceed $1,000,000.

Family Copayment Determination

The family copayment is a sliding scale fee set by the local entity (workforce board). Rule requires boards to set the parent share of cost based on the family's size and gross monthly income. Boards also may consider the number of children in care. The fee is per child and is discounted for two or more children.

Utah

Eligibility Rules

Both initial and continuous eligibility limits are less than 85 percent of the SMI. Prior to the pandemic, the initial eligibility limit was 56 percent of the SMI, and the continuous eligibility limit was 85 percent of the SMI. Asset limit is $1,000,000.

Eligibility is based on monthly household income. There are several deductions allowed: the first $100 of each person’s earned income is deducted from countable earned income, a $100 standard medical deduction, and the first $50 of child support. Court-ordered child support or alimony paid (not received) is also deducted. Income from rental income is counted in household income. Housing subsidies are exempt and not counted as income.

Family Copayment Determination

Before the pandemic, the copayments were monthly dollar-amount fees, depending on the size of the household, the household income, and the number of children in the household (one, two, or more than two). Now, the family copayments depend on the household size, household income, and the number of children enrolled in subsidized childcare. Copayments for children experiencing homelessness and for families with very low incomes are waived.

State Payment Rates

SPRs to CDF providers vary based on type of childcare setting, age of child, and whether care is provided full or part time. Part-time care is care provided for 20 hours or less per week. Higher rates are provided for care for children with special needs.

Vermont

Eligibility Rules

Initial income eligibility and continuous income eligibility are both set at 85 percent of the SMI. Family assets must not exceed $1,000,000. Countable income includes the family's gross income and child support.

Family Copayment Determination

The family copayment fee isn't explicitly provided; instead, Vermont provides a percentage of the subsidy paid for by the state. This percentage decreases as the family income increases. The maximum amount the state pays for is 100 percent, and gradually decreases to a minimum of 10 percent. While the percentage paid for by the state is solely based on the family's income, the weekly provider rates are based on the age group for each child in care (infant - less than 1, toddler - 1 to 2 years old, preschool - 3 to 5 years old, school age - 6 to 12 years old). There are different provider types for care, based on licensing; for convenience, we only look at the provider type = childcare in licensed centers, base rate, full-time rate; We also divide the weekly Vermont rates by 5 to get them to be daily**.** We then calculate the number of days of care for each child depending on their age group, calculate the total cost be multiplying the days of care and the associated rates, and the determine the total copayment by multiplying the total cost by what percentage the family pays (by subtracting the percentage the state pays from 100 percent).

Virginia

Eligibility Rules

Initial eligibility is between 100-250 percent of federal poverty guidelines, depending on the locality in which an individual resides. Continuous eligibility is 85 percent of State Median Income. TANF recipients are considered income eligible for CCDF subsidies and services. Virginia counts all earned and unearned sources of income towards eligibility but provides deductions for nearly all unearned income sources categorized in the PRD. Disregarded income includes SSI, TANF, SNAP, and EITC, among others. Child support received is counted and considered the child's income.

Family Copayment Determination

Copayments are waived for TANF recipients and for Head Start participants whose countable gross monthly income after deductions is less than 100 percent FPL. All other families are required to pay a copayment between 5-10 percent of their monthly gross income, based on family size and income.

State Payment Rate

SPRs to CCDF providers vary based on locality, age of child, type of childcare setting, and whether care is provided for a full or part day.

Washington

State Eligibility Rules

With the passing of the Fair Start for Kids Act in 2021, initial eligibility is considered to be 60 percent of the SMI and the continuous eligibility is 65 percent of the SMI. (You can find information about the bill here: https://app.leg.wa.gov/billsummary?BillNumber=1213&Year=2021&Initiative=false.)

Family Copayment Determination

With this new bill, the copayment fee is a monthly, per-family fee that is a dollar amount based on where the family's income lies in relation to the SMI. Aside from the numbers depicted in the PRD, there are some nuances of the copayment listed in the bill. If the family's income is at or below 20 percent of the SMI, the copayment can be "waived to the extent allowed under federal law" or, otherwise, it is a maximum of $15. If the family's income is anywhere from above 36 percent to 50 percent of the SMI, then the copayment is $115 until December 31, 2021, and will become $90 on January 1, 2022.

West Virginia

State Eligibility Rules

Initial eligibility is considered to be 150 percent of the Federal Poverty Line (FPL) and the continuous eligibility is 185 percent of the FPL. Family assets must not exceed $1,000,000. Countable income includes the family's gross income, TANF, and child support.

Family Copayment Determination

The copayment fee is a daily, per-family fee that is a dollar amount based on where the family's income lies in relation to the FPL. If a family's income is at or less than 40 percent of the FPL, they pay $0 in daily copayment. These bins increase by 10 percentage points up to an income bin limit of 180 percent of the FPL, and then an additional bin is added to cap off the 185 percent continuous limit established earlier, resulting in a total of 16 income bins. Note that, in West Virginia's documentation detailing the sliding fee scale, the values are reported in 2019 numbers. Therefore, we have upscaled the income bins to 2021 numbers based on the associated FPL percentages, but have kept the copayment amounts the same.

Wisconsin

State Eligibility Rules

Wisconsin counts earned and unearned income towards eligibility while allowing several exclusions from the financial eligibility test: child support payments equal to or less than $1,250 a month, SSI payments of minor dependents, and the wage subsidy portion of income from Wisconsin's TANF programs (known as Wisconsin Works, W-2), among others. The eligibility period between renewals is 12 months.

Wisconsin families are eligible if the total liquid assets are less than or equal to $25,000. In addition, the value of the family's home can be no more than 200 percent of the statewide median value for home, and the combined equity value of any vehicles must be less than $20,000.

Family Copay Determination

Family copayments are subtracted from the subsidy amount based on the assistance group's income relative to the FPL, number of children in subsidized care, the total number of hours all children are in subsidized care, and the copayment period. The total copayment assessed for each child will not be greater than $152 per month per child.

- [copayment per hour for % of FPL- In table] * number of hours all children are in subsidized care for the month = total monthly family copayment.
- The copayment schedule is listed in monthly FPL levels in 5 percent increments. When the family's income is between two levels, they use the lower of the two percentages.
- The AG copay is increased by $1 for every $3 that the income exceeds 200 percent FPL.
- The copayment period is assigned to each family based on their FPL and their point in the eligibility period (application, ongoing, or renewal).

Copayment Period	**Assistance Group FPL**	**Copayment Per Hour Status during 12-month Eligibility Period**
Copayment Stabilization	Below 190% FPL	Will not increase
Gradual Phase Out (GPO)	190% - 199% FPL	May increase up to 200% FPL copayment level
Exit	200%+ FPL	May increase

State Payment Rates

State payment rates depend on age of child, county of provider, number of hours of care provided, regulation category, and type of provider. Counties are grouped together based on the percentage of the population living in urban areas, which is determined using Census data. Part-time rates are applied when care is provided for 20 hours a week or less, while full-time rates are applied when care is provided for more than 20 hours a week. The state's CCDF program is called Wisconsin Shares Child Care Subsidy Program.

Wyoming

State Eligibility Rules

Initial eligibility is considered to be 175 percent of the FPL and the continuous eligibility is 225 percent of the FPL. Family assets must not exceed $1,000,000. Countable income includes the family's gross income, TANF, and child support, with an Income Disregard of $200.

Family Copayment Determination

The copayment fee is a daily, per-child fee that is a dollar amount based on where the family's income lies in relation to the FPL, as well as the number of children in care and the family size. If a family's income is at or less than 100 percent of the FPL, they pay $0 in daily copayment. These bins increase by 25 percentage points up to an income bin limit of 225 percent of the FPL, resulting in a total of 6 income bins. The copay is also determined based on the part-time or full-time status of care (part-time = less than 5 hours; full-time = 5 hours or more), though we currently only account for the full-time rate.

2.2 Taxes and Tax Credits

2.2.1 Federal Personal Income Tax

Overview

The federal individual income tax is imposed on net taxable income of individuals by the federal government. The tax is progressive; that is, the tax rates on higher amounts of income are higher than on lower amounts. Federal tax rates in 2020 varied from 10 percent to 37 percent. The tax rates and some deductions are different depending on filing status. The Internal Review Code defines taxable income, and the Department of the Treasury and the Internal Revenue Service issue tax regulations.

Total Tax Liability Calculation

The federal individual income tax has seven tax rates ranging from 10 percent to 37 percent. The rates apply to taxable income—adjusted gross income (AGI) minus either the standard deduction or allowable itemized deductions. Income up to the standard deduction (or itemized deductions) is thus taxed at a zero rate. State income tax is allowed as a deduction in computing federal income tax, subject to limitations for individuals.[41]

Using the PRD: List of Inputs and Calculations

<u>List of Inputs</u>

The required family-level information for determining eligibility modeled in the PRD are:

- Filing status of the individual **- {filingStatus}**. The four filing statuses are: individual, married filing jointly, head of household, and married filing separately.
- Taxable income of the individual **- {income.AGI}**

<u>Calculations</u>

Step 1: Calculate annual total countable income.
{countableIncome.AGI} = sum([ListOfCountableIncome])

[41] Only taxpayers who itemize deductions on their federal income tax returns can deduct state and local real estate and personal property taxes, and either income taxes or general sales taxes. The Tax Cuts and Jobs Act limited the total state and local tax deduction to $10,000.

Step 2: Calculate taxable income.
taxableIncome = {countableIncome.AGI} - [Standard Deduction]

Step 3: Calculate income amount taxable at each rate.
Taxable Income Bin 1 = max{(taxableIncome-0) - max{taxableIncome - [IncomeBin1Max],0},0}
Taxable Income Bin 2 = max{(taxableIncome-[IncomeBin1Max]) - max{taxableIncome - [IncomeBin2Max],0},0}
Taxable Income Bin 3 = max{(taxableIncome-[IncomeBin2Max]) - max{taxableIncome - [IncomeBin3Max],0},0}
Taxable Income Bin 4 = max{(taxableIncome-[IncomeBin3Max]) - max{taxableIncome - [IncomeBin4Max],0},0}
Taxable Income Bin 5 = max{(taxableIncome-[IncomeBin4Max]) - max{taxableIncome - [IncomeBin5Max],0},0}
Taxable Income Bin 6 = max{(taxableIncome-[IncomeBin5Max]) - max{taxableIncome - [IncomeBin6Max],0},0}
Taxable Income Bin 7 = max{(taxableIncome-[IncomeBin6Max]) ,0}

Step 4: Calculate tax liability paid at each rate.
Value Tax Bin 1 = [Tax Rate 1]*Taxable Income Bin 1
Value Tax Bin 2 = [Tax Rate 2]*Taxable Income Bin 2
Value Tax Bin 3 = [Tax Rate 3]*Taxable Income Bin 3
Value Tax Bin 4 = [Tax Rate 4]*Taxable Income Bin 4
Value Tax Bin 5 = [Tax Rate 5]*Taxable Income Bin 5
Value Tax Bin 6 = [Tax Rate 6]*Taxable Income Bin 6
Value Tax Bin 7 = [Tax Rate 7]*Taxable Income Bin 7

Step 5: Calculate total tax liability.
Federal Income Tax Value = Value Tax Bin 1 +...+ Value Tax Bin 7

Implementation-Specific Assumptions

Atlanta Fed

We assume that a person always takes the standard deduction and never claims itemized deductions.

Limitations

- The PRD does not include itemized deductions.

- Given that itemized deductions are not included, the PRD does not allow for interaction between state income tax and federal income tax.
- The PRD does not account for tax filers with different filing statuses in the same household.

2.2.2 State Personal Income Tax

Overview

Most states collect a state income tax in addition to federal income tax. Some local governments also impose an income tax, often based on state income tax calculations. Forty-three states and many localities in the United States may impose an income tax on individuals.

State income tax is imposed at a fixed or graduated rate on taxable income of individuals, corporations, and certain estates and trusts. The rates vary by state. Taxable income conforms closely to federal taxable income in most states, with limited modifications. The states are prohibited from taxing income from federal bonds or other obligations. Most do not tax social security benefits or interest income from obligations of that state. Many states allow a standard deduction or some form of itemized deductions.

States allow a variety of tax credits in computing tax. (See the EITC, CTC, and the CDCTC sections of the PRD.) State income tax is allowed as a deduction in computing federal income tax, subject to limitations for individuals (see the Federal Personal Income Tax section for details). Some states allow taxpayers to claim deductions for their federal income taxes.

Total Tax Liability Calculation

As of 2020, seven states—Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming—levy no personal income tax. The number of tax brackets varies by state and ranges from one tax bracket to as many as ten.

The rates apply to taxable income—AGI minus either the standard deduction or allowable itemized deductions. Income up to the standard deduction (or itemized deductions) is thus taxed at a zero rate. Six states—Alabama, Iowa, Louisiana, Missouri, Montana, and Oregon—allow taxpayers to deduct their total federal tax liability less any federal tax credits. States have the ability to set their own standard deductions. Some states replicate federal personal income tax standard deductions.

Special Rules and Provisions

Special State-Level Rules

Two states—New Hampshire and Tennessee—do not tax wages. They do, however, impose taxes on investment income and interest, but are set to eliminate those taxes by 2025.

Using the PRD: List of Inputs and Calculations

List of Inputs

The required information for determining eligibility for the families modeled in the PRD are:

- State identifiers: **{stateName}** - name of the state or **{stateFIPS}** - FIPS code of the state
- Filing status of the individual **- {filingStatus}**. The four filing statuses are: individual, married filing jointly, head of household, and married filing separately.
- Taxable income of the individual **- {income.AGI}**
- Total federal income tax liability (sum of federal income tax and FICA tax) **- {tax.income.fed}**
- Total value of federal tax credits (sum of federal EITC, CTC and CDCTC) **- {value.taxcredits.fed}**

Calculations

Step 1: Calculate annual total countable income.
{countableIncome.AGI} = sum([ListOfCountableIncome])

Step 2: Calculate deductible federal income tax.
fedincometax = {tax.income.fed} - {value.taxcredits.fed}

Step 3: Calculate taxable income.
If [FederalIncomeTaxDeductible]==”Yes”, then taxableIncome = {countableIncome.AGI} - [Standard Deduction] - fedincometax
If [FederalIncomeTaxDeductible]==”No”, then taxableIncome = {countableIncome.AGI} - [Standard Deduction]

Step 4: Calculate income amount taxable at each rate.
Taxable Income Bin 1 = max{(taxableIncome-0) - max{taxableIncome - [IncomeBin1Max],0},0}
Taxable Income Bin 2 = max{(taxableIncome-[IncomeBin1Max]) - max{taxableIncome - [IncomeBin2Max],0},0}
Taxable Income Bin 3 = max{(taxableIncome-[IncomeBin2Max]) - max{taxableIncome - [IncomeBin3Max],0},0}
Taxable Income Bin 4 = max{(taxableIncome-[IncomeBin3Max]) - max{taxableIncome - [IncomeBin4Max],0},0}

Taxable Income Bin 5 = max{(taxableIncome-[IncomeBin4Max]) - max{taxableIncome - [IncomeBin5Max],0},0}
Taxable Income Bin 6 = max{(taxableIncome-[IncomeBin5Max]) - max{taxableIncome - [IncomeBin6Max],0},0}
Taxable Income Bin 7 = max{(taxableIncome-[IncomeBin6Max]) - max{taxableIncome - [IncomeBin7Max],0},0}
Taxable Income Bin 8 = max{(taxableIncome-[IncomeBin7Max]) - max{taxableIncome - [IncomeBin8Max],0},0}
Taxable Income Bin 9 = max{(taxableIncome-[IncomeBin8Max]) - max{taxableIncome - [IncomeBin9Max],0},0}
Taxable Income Bin 10 = max{(taxableIncome-[IncomeBin9Max]) ,0}

Step 5: Calculate tax liability paid at each rate.
Value Tax Bin 1 = [Tax Rate 1]*Taxable Income Bin 1
Value Tax Bin 2 = [Tax Rate 2]*Taxable Income Bin 2
Value Tax Bin 3 = [Tax Rate 3]*Taxable Income Bin 3
Value Tax Bin 4 = [Tax Rate 4]*Taxable Income Bin 4
Value Tax Bin 5 = [Tax Rate 5]*Taxable Income Bin 5
Value Tax Bin 6 = [Tax Rate 6]*Taxable Income Bin 6
Value Tax Bin 7 = [Tax Rate 7]*Taxable Income Bin 7
Value Tax Bin 8 = [Tax Rate 8]*Taxable Income Bin 8
Value Tax Bin 9 = [Tax Rate 9]*Taxable Income Bin 9
Value Tax Bin 10 = [Tax Rate 10]*Taxable Income Bin 10

Step 6: Calculate total tax liability.
State Income Tax Value = Value Tax Bin 1 +...+ Value Tax Bin 10

Implementation-Specific Assumptions

Atlanta Fed

We assume that the person always takes the standard deduction and never claims itemized deductions.

Limitations

- The PRD does not include information on local (county or municipality) taxes
- Itemized deductions such as home mortgage interest deduction are not included to the PRD.

- PRD does not account for tax filers with different filing statuses in the same household.
- State-specific rules not in in the PRD include:

Idaho

Idaho has a special tax deduction called Tax Subtraction for Child and Dependent Care Expenses that allows families to deduct childcare expenses. The amount of expenses claimed under the federal CDCTC is subtracted from income before deductions are taken. The amount of tax savings is worth the amount of expenses multiplied by the taxpayer's Idaho income tax rate. For details, see http://www.taxcreditsforworkersandfamilies.org/state-tax-credits/idaho/.

Maryland

Maryland has a special tax deduction called Subtraction for Child and Dependent Care Expenses, that allows families to deduct childcare expenses. The amount of expenses claimed under the federal CDCTC is subtracted from income before deductions are taken. The amount of tax savings is worth the amount of expenses multiplied by the taxpayer's Maryland income tax rate. For details, see https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2018/12/Final_Report_NWLC_MCLT.pdf.

Massachusetts

Massachusetts has a special tax deduction called the Tax Deduction for Child and Dependent Care Expenses that allows families to deduct childcare expenses. Families who claim the federal CDCTC may subtract up to $4,800 (for one child or dependent) or up to $9,600 (for two or more children or dependents) in expenses from Massachusetts income. The amount of tax savings is worth the amount of expenses multiplied by the taxpayer's Massachusetts income tax rate.

Massachusetts also has a Dependent Member(s) of Household under Age 12, or Dependents Age 65 or Older, and Disabled Dependents Deduction. These deductions allow filers to claim a deduction of $3,600 per qualifying dependent living in their household, not to exceed $7,200. A qualifying dependent must be a household member that is either under age 12 or over age 65 at the close of the tax year.

For details, see http://www.taxcreditsforworkersandfamilies.org/state-tax-credits/massachusetts/.

Montana

Montana has a special tax deduction, the Child and Dependent Care Expense Deduction, that allows families to deduct childcare expenses. For families who are itemizing deductions, child and dependent care expenses are deducted from the state AGI. Expenses must be for the care of a child under age 15, or dependents or a spouse who are physically or mentally incapable or caring for themselves. The amount of expenses that can be claimed is limited to $2,400 for one child or dependent, $3,600 for two children or dependents, or $4,800 for three or more children or dependents. For families with an AGI exceeding $18,000, the amount of eligible expenses is reduced by one-half the amount of income over $18,000. The amount of tax savings from the deduction is worth the amount of expenses multiplied by the taxpayer's Montana income tax rate. For details, see https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2018/12/Final_Report_NWLC_MCLT.pdf.

Virginia

Virginia has a special tax deduction, the Deduction for Child and Dependent Care, that allows families to deduct childcare expenses. For families who are itemizing deductions, the amount of expenses on which the family's federal CDCTC is based is deducted from the Virginia AGI. The amount of tax savings is worth the amount of expenses multiplied by the taxpayer's Virginia income tax rate. To qualify, expenses must be eligible for the federal CDCTC. Maximum deductions are $3,000 for one qualifying dependent and $6,000 for two or more. For details, see http://www.taxcreditsforworkersandfamilies.org/state-tax-credits/virginia/.

2.2.3 State Sales Tax

Overview

Sales taxes are placed on the sale or lease of goods and services. Sales tax is governed at the state level and no national general sales tax exists. The District of Columbia, the territories of Puerto Rico, Guam, and 45 states impose general sales taxes that apply to the sale or lease of most goods and some services, and states also may levy selective sales taxes on the sale or lease of particular goods or services. States may grant local governments the authority to impose additional general or selective sales taxes. The definitions of taxable items vary among the states.

Total Tax Liability Calculation

Sales taxes are imposed only on taxable transfers of goods or services. The tax is computed as the tax rate times the taxable transaction value. Rates vary by state and by locality within a state. Not all types of transfers are taxable. The tax may be imposed on sales to consumers and to businesses.

The definitions of taxable items vary among the states. Nearly all jurisdictions provide numerous categories of goods and services that are exempt from sales tax or taxed at reduced rates. The purchase of goods for further manufacture or for resale is uniformly exempt from sales tax. Most jurisdictions exempt food sold in grocery stores, prescription medications, and many agricultural supplies. Among those states that tax food, the sales tax rate on food items is generally lower than that on regular items. See the PRD for details.

Using the PRD: List of Inputs and Calculations

List of Inputs

The required family-level information for determining eligibility modeled in the PRD are:

- State identifiers: **{stateName} -** name of the state or **{stateFIPS} -** FIPS code of the state
- Taxable expenses of a family: **{taxableexpenses} -** total spending of the family that is taxable across all states. (Can be proxied by the miscellaneous expenses from the CLS. Miscellaneous expenses include essential costs such as clothing, shoes, paper products, diapers, nonprescription medicines, cleaning products, household items, personal hygiene items, and telephone service.)
- Food expenses: **{exp.food}** (See the CLD for default values.)

Calculations

Step 1: Calculate total sales tax liability.

Sales Tax = {taxableexpenses}*[SalesTaxRate]+{exp.food}*[SalesTaxRate.Food]

Implementation-Specific Assumptions

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In the calculations of sales tax, we assume that miscellaneous and food expenses are the family's only taxable spending.

Limitations

- The PRD does not include a detailed breakdown of items that are taxable/exempt from the sales tax. It does not provide information on sales tax rates for special items (such as tobacco or alcohol).
- The PRD does not include information on municipal and county sales taxes.

2.2.4 Federal Insurance Contributions Tax

Overview

FICA is a tax mechanism codified in Title 26, Subtitle C, Chapter 21 of the United States Code.[42] FICA mandates a payroll tax on the paychecks of employees, as well as contributions from employers, to fund the Social Security and Medicare programs. For self-employed persons, there is an equivalent law called the Self-Employed Contributions Act. FICA contributions are mandatory, with rates set annually, although not necessarily changed annually.

Total Tax Liability Calculation

FICA tax is a combination of a Social Security tax and a Medicare tax that the IRS imposes on employee earnings. As of 2020, the Social Security tax rate is 6.2 percent and the Medicare tax rate is 1.45 percent. Employers match these percentages for a total of 15.3 percent. Social Security tax has a wage-based limit that doesn’t vary by filing status. As of 2020, individuals pay Social Security tax only on the first $137,700 of their wages. A 0.9 percent additional Medicare tax may apply if earnings exceed $200,000 for single filers and heads of households, $250,000 for those filing jointly, and $125,000 for those with married-filing-separately status. Employers are not responsible for the additional 0.9 percent Medicare tax.

Using the PRD: List of Inputs and Calculations

List of Inputs

The required family-level information for determining eligibility modeled in the PRD are:

- Filing status of the individual **- {filingStatus}**. The four filing statuses are: individual, married filing jointly, head of household, and married filing separately.
- Taxable income of the individual **- {income.AGI}**

Calculations

Step 1: Calculate Social Security tax liability.
Social Security Tax = min({income.AGI},[SocialSecurityTaxBase])*[SocialSecurityTaxRate]

Step 2: Calculate the taxable income at each Medicare tax rate.

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[42] https://www.law.cornell.edu/uscode/text/26/subtitle-C/chapter-21

Taxable Income Bin 1 = max(({income.AGI}-0) - max({income.AGI} - [IncomeBin1Max],0),0)
Taxable Income Bin 2 = max(({income.AGI}-[IncomeBin1Max]) ,0)

Step 3: Calculate Medicare tax liability.
Medicare Tax = Taxable Income Bin 1*[MedicareTaxRateBin1]+Taxable Income Bin 2*[MedicareTaxRateBin2]

Step 4: Calculate total FICA tax.
FICA tax = Social Security Tax + Medicare Tax

Implementation-Specific Assumptions

Atlanta Fed

The PRD assumes the tax filer does not have income from self-employment.

Limitations

The PRD does not include provisions related to the Self-Employed Contributions Act. For details, see https://www.inc.com/encyclopedia/self-employment-contributions-act-seca.html.

2.2.5 Federal Earned Income Tax Credit

Overview

The EITC is a benefit for working people with low to moderate income. To qualify, workers must meet certain requirements and file a tax return, even if they do not owe any taxes or are not required to file. The EITC is a refundable tax credit; it reduces the amount of tax owed and may result in a refund.

Eligibility Determination

The EITC benefits only working families, which means that families must have earned income to qualify. The EITC has two income eligibility tests. The first is based on the earned income, and the second is based on the AGI. Individuals with an AGI or earned income above the eligibility threshold are not eligible for the EITC. The income eligibility threshold varies according to the number of dependents and tax filing status. Additionally, families with investment income above a certain threshold cannot claim the EITC. See the PRD for details.

Workers who do not claim eligible children must be at least age 25 but under age 65. If a worker is married filing a joint return, either the worker or spouse must be at least age 25 but under age 65 at the end of fiscal year. It doesn't matter which spouse meets the age test as long as one of them does.

Those who are married and filing separately are not eligible.

Countable Income, Net Income, and Asset Tests

Countable Income

Eligibility is based on both the AGI and earned income. AGI is calculated as gross income less certain deductions.[43] Earned income includes taxable employee compensation and net

[43] https://www.investopedia.com/terms/a/agi.asp Some of the most prominent deductions made to reach an individual's AGI include: certain retirement plan contributions, such as individual retirement accounts (IRA), SIMPLE IRA, SEP-IRA, and qualified plans; half of the self-employment tax; Health care Savings Account (HSA) deductions; alimony paid (included in the recipient's gross income); moving expenses (but since 2018, only if you're active-duty military moving due to military orders); losses incurred from the sale or exchange of property; early-withdrawal penalties levied by financial institutions; school tuition, fees, and student loan interest (exceptions and limits usually apply); jury duty pay turned over to a filer's employer; some business-related expenses incurred by performing artists, teachers, fee-basis government officials, and reservists.

earnings from self-employment as well as certain disability payments.[44] The EITC also has restrictions on the amount of investment income.[45]

Net Income and Deductions

See above.

Asset Tests

No asset tests.

Value of Benefits Determination

Workers receive a credit equal to a percentage of their earned income up to a maximum. After the credit reaches the maximum, it remains flat until earnings reach the phaseout point. Both the credit rate and the credit maximum vary by family size. Families with children receive a much larger credit than do workers without qualifying children. A qualifying child must meet requirements based on relationship, age, residency, and tax filing status. In 2020, the maximum credit for families with one child is $3,584, while the maximum credit for families with three or more children is $6,660. See the PRD for details.

Additionally, if a family's AGI is higher than the income threshold for the maximum value of the tax credit, the EITC must be recalculated using the AGI instead of unearned income. See the Calculations section for details.

The EITC is fully refundable. That is, if a refundable credit exceeds a taxpayer’s federal income tax, the taxpayer receives the excess amount as a payment from the federal government.

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[44] According to the IRS, the following are considered taxable earned income: wages, salaries, tips, and other taxable employee compensation; union strike benefits; disability retirement benefits received prior to minimum retirement age; and net earnings from self-employment. See https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/earned-income.

[45] Investment income is income that comes from interest payments, dividends, capital gains collected upon the sale of a security or other assets, and any other profit made through an investment vehicle. See https://www.investopedia.com/terms/i/investmentincome.asp.

Special Rules and Provisions

American Rescue Plan Act of 2021

The American Rescue Plan Act of 2021 (ARPA) expanded the Federal Earned Income Tax Credit[46] for taxpayers with no qualifying children in the following ways:

- Reduced the minimum age to claim the credit from 25 to 19, except for full-time students, and eliminated the upper age limit of 65.
- Increased the maximum credit amount from $543 to $1,502
- Increased the earned income amount (income threshold that maximizes credit) from $7,100 to $9,820.
- Increased the phaseout amount (income threshold where the phaseout starts) from $8,880 to $11,610.
- Above provisions increase the phase-in and phaseout percentages from 7.65 to 15.3 percent
- To claim the maximum credit possible, tax filers can use the earned income they made in 2019 instead of the earned income they made in 2020.

Additionally, unlike the changes above, the ARP also makes the following permanent changes:

- The law increased the disqualifying investment income test from $3,650 to $10,000, adjusted for inflation thereafter.
- Separated spouses who are living with a qualified child, have separated from their spouse by the end of the tax year, and are filing as "married filing separately" on their tax return can claim the EITC as if they are a Head of Household.

Using the PRD: List of Inputs and Calculations

List of Inputs

The required family-level information for determining eligibility modeled in the PRD are:

- Filing status of the individual **- {filingStatus}**. The four filing statuses are: individual, married filing jointly, heads of household, and married filing separately.
- Number of eligible children **- {numkids}**

[46] For details see Sections 9621 to 9626 of the H.R.1319 - American Rescue Plan Act of 2021 https://www.congress.gov/bill/117th-congress/house-bill/1319/text#toc-H0C12C4EC613B459E8FD2E83EC29B8E25

- Age of tax credit claimer **{ageRespondent}**
- Age of spouse (if available) **{ageSpouse}**
- Adjusted gross income **- {income.AGI}**
- Earned income **- {income.earned}**
- Year of fiscal rules **- {ruleYear}**

Calculations

Step 1: Calculate the number of eligible dependents.
numkids = sum(age_i < 19)

Step 2: Compute benefit amount based on earned income.
if {income.earned} < [IncomeBin1Max], then Benefit = 0
if {income.earned} >= [IncomeBin1Max] & {income.earned} < [IncomeBin2Max], then Benefit = [PhaseInRate]*({income.earned}-0)
if {income.earned} >= [IncomeBin2Max] & {income.earned} < [IncomeBin3Max], then Benefit =[MaxCredit]
if {income.earned} >= [IncomeBin3Max] & {income.earned} < [IncomeBin4Max], then Benefit = [PhaseOutRate]*({income.earned}-[IncomeBin4Max])
if {income.earned} >= [IncomeBin4Max], then Benefit = 0

Step 3: Adjust EITC calculations based on AGI.
If {income.AGI} != {income.earned} & {income.AGI} > [IncomeBin3Max], then

Benefit = [PhaseOutRate]*({income.AGI}-[IncomeBin4Max])
if {income.AGI} >= [IncomeBin4Max], then Benefit = 0

Step 4: Apply a special rule for those who do not claim children.
if {numkids} == 0 & ({filingStatus} == “Individual” | {filingStatus} == “Head of the Household”) {ageRespondent} < 25 , then Benefit = 0
if {numkids} == 0 & ({filingStatus} == “Married Filing Jointly”) ({ageRespondent}} < 25 & {ageSpouse} < 25) , then Benefit = 0

Implementation-Specific Assumptions

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- The PRD calculations assume that individuals have a valid social security number and are U.S. citizens or permanent residents.

- The PRD calculations assume that anyone in the household under the age of 19 meets all qualifying child rules and are counted as children.

Limitations

- The IRS has special rules about who is counted as a child. The PRD does not include these provisions. For details, see https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/qualifying-child-rules
- The PRD does not include special EITC rules related to the military and members of the clergy. For details, see https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/special-eitc-rules
- PRD does not include special EITC rules related to people with disabilities and people who have a qualifying child with disability. For details see https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/disability-and-earned-income-tax-credit

2.2.6 State Earned Income Tax Credit

Overview

In 2020, 28 states and the District of Columbia offered their own EITC. States typically set their credits as a percentage of the federal EITC. However, unlike the federal credit, some state EITCs are not refundable. In all but six states—Delaware, Hawaii, Ohio, Oklahoma, South Carolina, and Virginia—state EITCs, like the federal credit, are refundable. That is, if a refundable credit exceeds a taxpayer's state income tax, the taxpayer receives the excess amount as a payment from the state. A nonrefundable EITC can only offset state income taxes, so the benefit is limited for low-income families with little taxable income.

Eligibility Determination

All states but one (Minnesota) set their credits as a percentage of the federal credit. See the Federal EITC section for details.

Countable Income, Net Income, and Asset Tests

Countable Income

See the Federal EITC section for details.

Net Income and Deductions

See the Federal EITC section for details.

Asset Tests

See the Federal EITC section for details.

Value of Benefits Determination

All states but one set their credits as a percentage of the federal credit, the exception being Minnesota, which calculates its credit separately as a percentage of income (see the Special Rules and Provisions section for details on the Minnesota EITC).

In all but six states—Delaware, Hawaii, Ohio, Oklahoma, South Carolina, and Virginia—state EITCs, like the federal credit, are refundable.

State credits as a percentage of the federal credit ranged from 3 percent in Montana to a nonrefundable 62.5 percent in South Carolina. The highest refundable credit is in the District of Columbia (40 percent).

Special Rules and Provisions

Special State-Level Rules

Some states have special EITC provisions related to income eligibility and/or refundability that are briefly described here. See the PRD for details.

California

California's EITC is not available for those with earned income above $30,000.

District of Columbia

The District of Columbia offers a state tax credit at a value of 40 percent of the federal credit but has a separate EITC for tax filers without child dependents, independent of the federal EITC but using a similar approach. The following is pseudocode applicable to DC's credit, based on 2020 DC tax filing instructions.[47] The District also offers a separate earned income tax credit for young non-custodial parents (ages 18-30), at 40% of the value that the federal EITC would be if it included just any children for whom tax filers pay child support to support, but the PRD does not as of this point cover noncustodial parents to a level of detail that it would be appropriate to include that credit in the tables or this accompanying custom logic.

Below is pseudocode for incorporating the DC EITC for tax filers without dependent children who do not pay child support.

IF number_children = 0 AND investment_income <= 3650 AND age requirements for Federal EITC are met THEN

Step 1: Calculate base EITC value (based on earned income)

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[47] "District of Columbia Earned Income Tax Credit (EITC) Worksheet For Filers Without A Qualifying Child," in 2020 *District of Columbia (DC) Individual Income Tax Forms and Instructions, D-40, All Individual Income Tax Filers*, pp. 22-24. Retrieved October 2021 at https://otr.cfo.dc.gov/sites/default/files/dc/sites/otr/publication/attachments/2020_D-40_Booklet_1.pdf.

value.eitc.base=MIN(0.0765 * earnings, 538)

Step 2: Calculate value of state EITC (applying gross income test and phaseout)

income.countable=MAX(earnings, gross_income)
IF (income.countable < 19489) THEN value.eitc.state = value.eitc.base;
ELSE
value.eitc.state = MAX(0, value.eitc.base-(0.0848*(income.countable-19489)))

Maryland

Maryland has one refundable credit (at 28 percent of federal EITC) and another credit that allows for a nonrefundable credit of any remaining amount after subtracting the refundable credit from tax liability (at 50 percent of the federal EITC, less the amount of the refundable credit).

Maryland also allows filers without children who qualify for the federal EITC except for the age requirements to receive a state EITC, at 50 percent of the amount that the federal credit would have been if there was no age requirement.

Maryland has an additional nonrefundable state Poverty Level Credit that allows workers to claim a credit of 5 percent of their earned income. Eligibility requirements are the following:

- Maryland state tax exceeds 50 percent of a worker's federal EITC.
- A worker's earned income and federal AGI are below the poverty income threshold. The Maryland Poverty Level Credit is not included in the PRD.

Minnesota

Minnesota's Working Family Credit is not calculated as a proportion of federal credit but rather has its own structure. The structure of the Working Family Credit replicates a structure of the federal EITC but has different income limits. See https://www.revenue.state.mn.us/working-family-credit for details. The PRD does not include this provision. See the Limitations section for details.

Ohio

Ohio's EITC is limited to 50 percent of liability for Ohio taxable income above $20,000. That is, the credit amount cannot exceed more than half of a taxpayer's state income tax liability.

Oregon

In Oregon, the EITC is 12 percent of federal credit for filers with children under the age of three and 9 percent of federal credit for all other eligible filers.

Using the PRD: List of Inputs and Calculations

List of Inputs

The required family-level information for determining eligibility modeled in the PRD are:

- State identifiers: **{stateName} -** name of the state or **{stateFIPS} -** FIPS code of the state
- Number of eligible children **- {numkids}**
- Adjusted gross income **- {income.AGI}**
- Earned income **- {income.earned}**
- Total state personal income tax liability **- {tax.income.state}**
- Value of federal EITC **- {value.eitc.fed}**
- Age of tax credit claimer **{ageRespondent}**
- Age of spouse (if available) **{ageSpouse}**
- Age of the youngest child **- {ageOfYoungestChild}**

Calculations

Step 1: Calculate the tax credit amount.

Benefit = [PercentOfFederal]*{value.eitc.fed}

Step 2: Adjust for refundability/nonrefundability.

If [Refundable] == “Yes”, then Benefit = Benefit
If [Refundable] == “No”, then Benefit = min(Benefit, {tax.income.state})

Step 3: Reflect special state-level rules.

If stateFIPS==6 (California)
Benefit = [PercentOfFederal]*{value.eitc.fed}
If [Refundable] == “Yes”, then Benefit = Benefit
If [Refundable] == “No”, then Benefit = min(Benefit, {tax.income.state})

If {income.AGI}>30000, then Benefit=0

<u>If stateFIPS==24 (Maryland)</u>
value.eitc.fed = (replicate steps from the Federal EITC)
Benefit.refundable = 0.28*{value.eitc.fed}
Benefit.nonrefundable = min(0.5*{value.eitc.fed}, {tax.income.state}-Benefit.refundable)
Benefit = Benefit.refundable + Benefit.nonrefundable

<u>If stateFIPS==39 (Ohio)</u>
If {income.earned} > 20000 then Benefit = min(Benefit, 0.5*{tax.income.state})

<u>If stateFIPS==41 (Oregon)</u>
If {ageOfYoungestChild} < 3 then Benefit = 0.12*{value.eitc.fed}
If {ageOfYoungestChild} >= 3 then Benefit = 0.09*{value.eitc.fed}

Step 4: Apply special rule for those who do not claim children (except Maryland)
if {numkids} == 0 & ({filingStatus} == "Individual" | {filingStatus} == "Head of the Household") {age_1} < 25 & stateFIPS !=24 , then Benefit = 0
if {numkids} == 0 & ({filingStatus} == "Married Filing Jointly") ({age_1} < 25 & {age_2} < 25) & stateFIPS !=24 , then Benefit = 0

Implementation-Specific Assumptions

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- See the Federal EITC section.

Limitations

- Provisions of Maryland's State Poverty Level Credit are not included in the PRD. See the Special Rules and Provisions section for details.
- The PRD does not include the full structure of the Minnesota Working Family Credit. Rather, it approximates the proportion of federal credit with an average value of 34 percent of the federal credit.

2.2.7 Federal Child Tax Credit

Overview

The CTC is a partially refundable tax credit available to parents with qualifying dependents under the age of 17. It is targeted to help working families offset the cost of raising children. The CTC was enacted in 1997 and has been expanding gradually with bipartisan support since 2001. This tax credit, in combination with other refundable tax credits, is explicitly designed to benefit low-income families with workers and children and can significantly boost incomes and lift families above the poverty line.

Eligibility Determination

CTC is available to parents with qualifying dependents under the age of 17. A family that earns less than $2,500 is ineligible for the credit. After a family's total income reaches a certain threshold, the tax credit starts to phase out until it reaches zero.

Countable Income, Net Income, and Asset Tests

Countable Income

Eligibility is based on the AGI. The AGI is calculated as gross income less certain deductions.[48]

Net Income and Deductions

See above.

Asset Tests

No asset tests.

Value of Benefits Determination

Working families can receive a refund equal to 15 percent of their earnings above $2,500. This refund can be worth up to $1,400 per child. Families can claim a maximum tax credit of

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[48] See https://www.investopedia.com/terms/a/agi.asp. Some of the most prominent deductions made to reach an individual's AGI include: certain retirement plan contributions, such as individual retirement accounts (IRA), SIMPLE IRA, SEP-IRA, and qualified plans; half of the self-employment tax; HSA deductions; alimony paid (included in the recipient's gross income); moving expenses (but since 2018, only if you're active-duty military moving due to military orders); losses incurred from the sale or exchange of property; early-withdrawal penalties levied by financial institutions; school tuition, fees, and student loan interest (exceptions and limits usually apply); jury duty pay turned over to a filer's employer; and some business-related expenses incurred by performing artists, teachers, fee-basis government officials, and reservists.

$2,000. The CTC starts to phase out at income levels of $400,000 ($200,000 for single or head-of-household filers).

Special Rules and Provisions

American Rescue Plan Act of 2021

The American Rescue Plan of 2021 (ARP) expanded the Child Tax Credit for the 2021 tax year in several ways[49], all of which are temporary unless federal legislation enacts these changes for future tax years:

- It expanded the eligible age of children to include 17-year-olds, excluded under the previous law.
- It expands the credit to $3,600 per child for children ages 0-5, and to $3,000 per child from 6-17.
- The income threshold -- the income at which the expanded credit starts phasing out -- is $150,000 for married units filing jointly, $112,500 for heads of household, and $75,000 in other cases. This increases the income threshold for married couples filing separately, which in previous tax years had an income threshold of $55,000.
- The phaseout rate of the expanded credit is 5 percent for filers earning above the income threshold for the credit. Expanded credit amount phases-out until the amount of credit reaches $2,000 per child and follows normal schedule afterwards.

Using the PRD: List of Inputs and Calculations

List of Inputs

The required family-level information for determining eligibility modeled in the PRD are:

- Filing status of the individual - **{filingStatus}**. There are four filing statuses: individual, married filing jointly, head of household, and married filing separately.
- Number of eligible children - **{numkids}**
- The age of each member of the household **{age_1}, {age_2}, {age_3}, {age_4}, {age_5}, {age_5}, {age_6},{age_7},{age_8}**
- Adjusted gross income - **{income.AGI}**
- Total federal tax liability (federal personal income tax and FICA) - **{tax.income.federal}**
- Year of fiscal rules - **{ruleYear}**

[49] For details see Section 9611 of the H.R.1319 - American Rescue Plan Act of 2021 https://www.congress.gov/bill/117th-congress/house-bill/1319/text#toc-H0C12C4EC613B459E8FD2E83EC29B8E25

Calculations

Step 1: Calculate the number of children that the family can claim.
numberofdependents = sum(age_i > [AgeOfDependentMin] & age_i < [AgeOfDependentMax])

Step 2: Calculate the value of the tax credit per eligible child.
if {income.AGI} < [IncomeBin1Max], then Benefit = 0
if {income.AGI} > [IncomeBin1Max] & {income.AGI} < [IncomeBin2Max], then Benefit = min(max({tax.income.federal},[RefundableCredit]), [MaxCredit])
if {income.AGI} > [IncomeBin2Max], then Benefit=[MaxCredit]-[PhaseOutSlope]*({income.AGI}-[IncomeBin2Max])

Step 3: Calculate the total value of the tax credit.
Benefit = Benefit*numberofdependents

Implementation-Specific Assumptions

Atlanta Fed

- The PRD calculations assume that the child meets all other qualification requirements outside of age requirements.

Limitations

- The PRD does not include information on other requirements that a child must meet for the family to claim this child. For details, see https://www.irs.gov/publications/p972.
- The CTC also includes a $500 nonrefundable credit for families with qualifying non-child dependents. The PRD does not include this provision. For details, see https://apps.irs.gov/app/vita/content/globalmedia/4491_child_tax_credit.pdf.

2.2.8 State Child Tax Credit

Overview

Six U.S. states—California, Colorado, Idaho, New York, North Carolina, and Oklahoma—have their own child tax credits. States' CTC are typically structured either as a lump-sum payment for each eligible child or as a fixed percent of the federal credit. New York has a combination of both approaches. Some states' CTCs are nonrefundable.

Eligibility Determination

Idaho and New York replicate the eligibility structure of the federal CTC. Other states set their own income-eligibility thresholds. All states but Colorado follow federal credit rules and allow families to claim tax credits for children under the age of 17. In Colorado, tax credit is available only for children ages 5 and younger. Some states have a restriction on the minimum age of children. See the PRD for details.

Countable Income, Net Income, and Asset Tests

Countable Income

See the Federal CTC section for details.

Net Income and Deductions

See the Federal CTC section for details.

Asset Tests

See the Federal CTC section for details.

Value of Benefits Determination

States' CTCs are typically structured either as a lump-sum payment for each eligible child or as a fixed percent of the federal credit. New York has a combination of both approaches. Both the amount of lump-sum payments and percentage of federal credit vary by income bins. Families with a lower income typically receive higher credits. In some states, credit is fully nonrefundable while in others, refundability of credit follows a federal credit structure. See the PRD for details.

Using the PRD: List of Inputs and Calculations

List of Inputs

The required family-level information for determining eligibility modeled in the PRD are:

- Filing status of the individual **- {filingStatus}**. There are four filing statuses: individual, married filing jointly, head of household, and married filing separately.
- The age of each member of the household **{age_1}, {age_2}, {age_3}, {age_4}, {age_5}, {age_5}, {age_6},{age_7},{age_8}**
- Adjusted gross income **- {income.AGI}**
- Total state personal income tax liability **- {tax.income.state}**
- Value of federal CTC **- {value.ctc.fed}**

Calculations

Step 1: Calculate the number of children that the family can claim.
numberofdependents = sum(age_i > [AgeOfDependentMin] & age_i < [AgeOfDependentMax])

Step 2: Calculate the value of the tax credit per eligible child.
if {income.AGI} <= [IncomeBin1Max] then Benefit=max([ValueBin1], [PercentOfFederalBin1]*{value.ctc.fed})
if {income.AGI} > [IncomeBin1Max] & {income.AGI} <= [IncomeBin2Max] then Benefit=max([ValueBin2], [PercentOfFederalBin2]*{value.ctc.fed})
if {income.AGI} > [IncomeBin2Max] & {income.AGI} <= [IncomeBin3Max] then Benefit=max([ValueBin3], [PercentOfFederalBin3]*{value.ctc.fed})
if {income.AGI} > [IncomeBin4Max] then Benefit=0

Step 3: Adjust for refundability/nonrefundability.
If [Refundable] == "Yes", then Benefit = Benefit
If [Refundable] == "No", then Benefit = min(Benefit, {tax.income.state})

Step 4: Calculate the total value of the tax credit.
Benefit = Benefit*numberofdependents

Implementation-Specific Assumptions

Atlanta Fed

- See the Federal Child Tax Credit section.

Limitations

- See the Federal Child Tax Credit section.

2.2.9 Federal Child and Dependent Care Tax Credit

Overview

The CDCTC is a nonrefundable tax credit that reduces a taxpayer's federal income tax liability based on child- and dependent-care expenses incurred. The policy objective is to assist taxpayers who work or who are looking for work. Taxpayers must have earned income and meet a variety of eligibility criteria including incurring qualifying child- and dependent-care expenses for a qualifying individual.

Eligibility Determination

A qualifying individual for the CDCTC is either (1) the taxpayer's dependent child under 13 years of age, or (2) the taxpayer's spouse or dependent who is incapable of caring for himself or herself. A taxpayer must have earned income to claim the credit. For married couples, both spouses must have earnings unless one is a student or incapable of self-care. There is no upper income eligibility threshold—taxpayers at all income levels can claim the CDCTC. Many lower-income taxpayers receive little or no credit since the credit is nonrefundable.

Countable Income, Net Income, and Asset Tests

Countable Income

Eligibility is based on both the AGI and earned income. The AGI is calculated as gross income less certain deductions.[50] Earned income includes taxable employee compensation and net earnings from self-employment, as well as certain disability payments.[51]

Net Income and Deductions

See above.

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[50] See https://www.investopedia.com/terms/a/agi.asp. Some of the most prominent deductions made to reach an individual's AGI include certain retirement plan contributions, such as individual retirement accounts (IRA), SIMPLE IRA, SEP-IRA, and qualified plans; half of the self-employment tax; HSA deductions; alimony paid (included in the recipient's gross income); moving expenses (but since 2018, only if you're active-duty military moving due to military orders); losses incurred from the sale or exchange of property; early-withdrawal penalties levied by financial institutions; school tuition, fees, and student loan interest (exceptions and limits usually apply); jury duty pay turned over to a filer's employer; and some business-related expenses incurred by performing artists, teachers, fee-basis government officials, and reservists

[51] According to the IRS, the following is considered taxable earned income: wages, salaries, tips, and other taxable employee compensation; union strike benefits; disability retirement benefits received prior to minimum retirement age; and net earnings from self-employment. See https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/earned-income.

Asset Tests

No asset tests.

Value of Benefits Determination

The CDCTC is calculated by multiplying the amount of expense—a maximum of $3,000 if the taxpayer has one qualifying individual, and up to $6,000 if the taxpayer has two or more qualifying individuals—by the appropriate credit rate. The credit rate depends on the taxpayer's AGI, with a maximum credit rate of 35 percent—declining as AGI increases—to 20 percent for taxpayers with an AGI above $43,000.

Special Rules and Provisions

American Rescue Plan Act of 2021

The American Rescue Plan Act of 2021 expanded Federal Child and Dependent Care Tax Credit in the following ways:

- Made the credit fully refundable
- Expanded eligible expenses from $3,000 for one child and $6,000 for two or more children to $8,000 and $16,000, respectively
- Increased the full credit amount from 35 percent of qualifying expenses to 50 percent
- Full credit amount begins to phase out at $125,000 (was $15,000), and plateaus for those making over $400,000 (was $43,000)
- 20 percent credit rate phases out for households making over $400,000 at 0.05 percent rate per $1

Using the PRD: List of Inputs and Calculations

List of Inputs

The required family-level information for determining eligibility modeled in the PRD are:

- Number of qualifying dependents under the age of 13 **- {NumberOfKidsUnder13}**
- Adjusted gross income **- {income.AGI}**
- Earned income **- {income.earned}**
- Earned income of a spouse **- {income.spouse.earned}**
- Total federal tax liability (federal personal income tax and FICA) **- {tax.income.federal}**
- Qualifying childcare-related expense **- {expense}**
- Year of fiscal rules **- {ruleYear}**

Calculations

Step 1: Compute the value of the tax credit.
if {filingStatus} !=2 & if {income.earned} < 1, then Benefit = 0
if {filingStatus}==2 & if ({income.earned} < 1 & {income.spouse.earned} < 1), then Benefit = 0
if {income.AGI} <= [IncomeBin1Max], then Benefit = [CreditRateBin1]*(min({qualifying expense}, [MaxExpense]))
if {income.AGI} > [IncomeBin1Max] & {income.AGI} <= [IncomeBin2Max], then Benefit = ([CreditRateBin1]-({income.AGI}-[IncomeBin1Max])*[PhaseOutRate1])*(min({qualifying expense}, [MaxExpense]))
if {income.AGI} > [IncomeBin2Max], then Benefit =max(([CreditRateBin2-({income.AGI}-[IncomeBin2Max])*[PhaseOutRate2]))]*(min({expense}, [MaxExpense])),0)

Step 2: Adjust for nonrefundability.
If Refundable==”Yes” then
Benefit = min(Benefit, {tax.income.federal})

Implementation-Specific Assumptions

Atlanta Fed

The PRD calculations assume that a family does not have members who are incapable of caring for themselves.

Limitations

- The CDCTC rule specifies that a taxpayer can claim the taxpayer’s spouse or dependent who is incapable of caring for himself or herself as a qualifying individual. The PRD does not include this calculation.
- In addition to the CDCTC, taxpayers can exclude from their income up to $5,000 of employer-sponsored child- and dependent-care benefits, often as a flexible spending account. The PRD does not include this provision. For details, see https://fas.org/sgp/crs/misc/R44993.pdf.

2.2.10 State Child and Dependent Care Tax Credit

Overview

As of 2020, 28 states and the District of Columbia had enacted their own CDCTCs to help families meet their child and dependent care costs. States are free to create the structure of their credits. For example, some states have set their credits as a share of the federal credit while other states calculate it as a share of expenses. In some states, the credit is fully refundable, while in others it is nonrefundable.

Eligibility Determination

Some states replicate the eligibility rules of the federal credit. See the Federal CDCTC section for details. Other states set their own income eligibility thresholds. See the PRD for details.

Countable Income, Net Income, and Asset Tests

Countable Income

See the Federal CDCTC section for details.

Net Income & Deductions

See the Federal CDCTC section for details.

Asset Tests

See the Federal CDCTC section for details.

Value of Benefits Determination

Most states set their credit as a share of the federal credit. In some states, it is a fixed share, while in others it changes with the family's income. Some states set their credits as either a share of a family's income or a share of eligible expenses. See the PRD for details.

Special Rules and Provisions

Special State-Level Rules

Some states have special CDCTC provisions that are briefly described here. See the PRD for details. Not all state-specific rules are included in the PRD. See the Limitations section for details.

Colorado

Under the provision of the Low-Income Child Care Expenses Credit, families who do not have sufficient tax liability to claim the federal CDCTC can receive a credit worth 25 percent of the childcare expenses that the family incurred during the taxable year, up to a specified maximum credit value of $500 per dependent, up to $1,000 for a family. The childcare expenses cannot exceed a single taxpayer's earned income for the year or, for joint filers, the earned income of the lower earner.

Hawaii

Hawaii has a special structure for credit phaseout: 25 percent of eligible expenses if the taxpayer earns $22,000 or less. This percentage is reduced by 1 percent for each additional $2,000 for an income up to $40,000. Filers with incomes exceeding $40,000 can claim 15 percent of eligible expenses.

Hawaii's tax credit is limited to $2,400 for one child or dependent and $4,800 for two children or dependents

Idaho

The Idaho state income tax code has a provision that allows filers to deduct certain childcare expenses. See the State Personal Income Tax section for details.

Louisiana

In Louisiana, the tax credit is refundable if the federal AGI is $25,000 or less.

Maine

In Maine, the tax credit is refundable up to $500.

Maryland

In Maryland, the tax credit is a share of the federal credit. This share varies by income bins that are different for individual tax filers and for those married filing jointly.

The Maryland credit is refundable for single filers with incomes below $50,000, and for married filers with incomes below $75,000.

The Maryland state income tax code has a provision that allows filers to deduct certain childcare expenses. See the State Personal Income Tax section for details.

Massachusetts

The Massachusetts state income tax code has a provision that allows filers to deduct certain childcare expenses. See the State Personal Income Tax section for details.

Minnesota

The tax credit is equal to 100 percent of the federal CDCTC up to $1,400 if income is $25,350 or less. If income exceeds $25,350, the credit is phased out. Filers with income above $39,000 are ineligible. (These amounts are adjusted for inflation each year.)

Montana

The Montana state income tax code has a provision that allows filers to deduct certain childcare expenses. See the State Personal Income Tax section for details.

Nebraska

The Nebraska tax credit is refundable for families with income below $29,000.

New Mexico

In New Mexico, the tax credit is calculated as a proportion of expenses for a qualifying dependent under the age of 15: 40 percent of qualifying expenses, up to a maximum credit of $480 for each qualifying dependent, or a total of $1,200 for all qualifying dependents.

New York

New York has a special structure for the credit phaseout. The tax credit is 110 percent of the federal CDCTC if the state AGI is $25,000 or less (including negative income), between 109 and 100 percent if the state AGI is $25,001–$39,999, then phasing down to $64,999, and 20 percent if the state AGI is $65,000 or more.

South Carolina

Credit is calculated as 7 percent of qualifying expenses, up to a maximum credit of $210 for each qualifying dependent, or a total of $420 for all qualifying dependents.

Spouses filing separately are ineligible for the CDCTC.

Virginia

The Virginia state income tax code has a provision that allows filers to deduct certain childcare expenses. See the State Personal Income Tax section for details.

Using the PRD: List of Inputs and Calculations

List of Inputs

The required family-level information for determining eligibility modeled in the PRD are:

- Filing status of the individual **- {filingStatus}**. There are four filing statuses: individual; married filing jointly; head of household, and married filing separately.
- Number of qualifying dependents under the age of 13 **- {NumberOfKidsUnder13}**
- Adjusted gross income **- {income.AGI}**
- Total state personal income tax liability **- {tax.income.state}**
- Qualifying childcare-related expense **- {expense}**
- Value of federal CDCTC **- {value.cdctc.fed}**

Calculations

Step 1: Calculate the value of a credit.
if {income.AGI} <= [IncomeBin1Max] then
Benefit=max([PercentOfFederalBin1]*{value.cdctc.fed}, [PercentOfExpensesBin1]*{expense})

if {income.AGI} > [IncomeBin1Max] & {income.AGI} <= [IncomeBin2Max] then
Benefit=max([PercentOfFederalBin2]*{value.cdctc.fed}, [PercentOfExpensesBin2]*{expense})

if {income.AGI} > [IncomeBin2Max] & {income.AGI} <= [IncomeBin3Max] then
Benefit=max([PercentOfFederalBin3]*{value.cdctc.fed}, [PercentOfExpensesBin3]*{expense})

if {income.AGI} > [IncomeBin3Max] & {income.AGI} <= [IncomeBin4Max] then
Benefit=max([PercentOfFederalBin4]*{value.cdctc.fed}, [PercentOfExpensesBin4]*{expense})

if {income.AGI} > [IncomeBin4Max] & {income.AGI} <= [IncomeBin5Max] then
Benefit=max([PercentOfFederalBin5]*{value.cdctc.fed}, [PercentOfExpensesBin5]*{expense})

if {income.AGI} > [IncomeBin5Max] & {income.AGI} <= [IncomeBin6Max] then
Benefit=max([PercentOfFederalBin6]*{value.cdctc.fed}, [PercentOfExpensesBin6]*{expense})

if {income.AGI} > [IncomeBin6Max] & {income.AGI} <= [IncomeBin7Max] then
Benefit=max([PercentOfFederalBin6]*{value.cdctc.fed}, [PercentOfExpensesBin6]*{expense})

Step 2: Adjust for nonrefundability.
If [Refundable] == "Yes", then Benefit = Benefit
If [Refundable] == "No", then Benefit = min(Benefit, {tax.income.state})

Step 3: Reflect special state-level rules.

<u>If stateFIPS==8 (Colorado)</u>
Calculate Steps 1 - 3
Adjust for Low-Income Child Care Expenses Credit:
If {value.cdctc.fed}==0 & {expense}>0 , then Benefit=0.25*{expense}
If {NumberOfKidsUnder13}<=2, then Benefit = min(Benefit, 500*{NumberOfKidsUnder13})
If {NumberOfKidsUnder13}>2, then Benefit = min(Benefit, 1000)

<u>If stateFIPS==15 (Hawaii)</u>
If {NumberOfKidsUnder13}==1, then {expenses}=min({expenses},2400)
If {NumberOfKidsUnder13}>=21, then {expenses}=min({expenses},4800)

if {income.AGI} <= [IncomeBin1Max] then
Benefit=max([PercentOfFederalBin1]*{value.cdctc.fed}, [PercentOfExpensesBin1]*{expense})

if {income.AGI} > [IncomeBin1Max] & {income.AGI} <= [IncomeBin2Max] then
Benefit=max([PercentOfFederalBin2]*{value.cdctc.fed}, ([PercentOfExpensesBin1]-[PhaseOutRate]*({income}-[IncomeBin1Max]))*{qualifying expenses})

if {income.AGI} > [IncomeBin2Max] & {income.AGI} <= [IncomeBin3Max] then
Benefit=max([PercentOfFederalBin3]*{value.cdctc.fed}, [PercentOfExpensesBin3]*{expense})

if {income.AGI} > [IncomeBin3Max] & {income.AGI} <= [IncomeBin4Max] then
Benefit=max([PercentOfFederalBin4]*{value.cdctc.fed}, [PercentOfExpensesBin4]*{expense})

if {income.AGI} > [IncomeBin4Max] & {income.AGI} <= [IncomeBin5Max] then
Benefit=max([PercentOfFederalBin5]*{value.cdctc.fed}, [PercentOfExpensesBin5]*{expense})

if {income.AGI} > [IncomeBin5Max] & {income.AGI} <= [IncomeBin6Max] then
Benefit=max([PercentOfFederalBin6]*{value.cdctc.fed}, [PercentOfExpensesBin6]*{expense})

if {income.AGI} > [IncomeBin6Max] & {income.AGI} <= [IncomeBin7Max] then
Benefit=max([PercentOfFederalBin6]*{value.cdctc.fed}, [PercentOfExpensesBin6]*{expense})

If [Refundable] == "Yes", then Benefit = Benefit
If [Refundable] == "No", then Benefit = min(Benefit, {tax.income.state})

<u>If stateFIPS==22 (Louisiana)</u>
if {income.AGI} <= [IncomeBin1Max] then
Benefit=max([PercentOfFederalBin1]*{value.cdctc.fed}, [PercentOfExpensesBin1]*{expense})

if {income.AGI} > [IncomeBin1Max] & {income.AGI} <= [IncomeBin2Max] then
Benefit=max([PercentOfFederalBin2]*{value.cdctc.fed}, [PercentOfExpensesBin2]*{expense})

if {income.AGI} > [IncomeBin2Max] & {income.AGI} <= [IncomeBin3Max] then
Benefit=max([PercentOfFederalBin3]*{value.cdctc.fed}, [PercentOfExpensesBin3]*{expense})

if {income.AGI} > [IncomeBin3Max] & {income.AGI} <= [IncomeBin4Max] then
Benefit=max([PercentOfFederalBin4]*{value.cdctc.fed}, [PercentOfExpensesBin4]*{expense})

if {income.AGI} > [IncomeBin4Max] & {income.AGI} <= [IncomeBin5Max] then
Benefit=max([PercentOfFederalBin5]*{value.cdctc.fed}, [PercentOfExpensesBin5]*{expense})

if {income.AGI} > [IncomeBin5Max] & {income.AGI} <= [IncomeBin6Max] then
Benefit=max([PercentOfFederalBin6]*{value.cdctc.fed}, [PercentOfExpensesBin6]*{expense})

if {income.AGI} > [IncomeBin6Max] & {income.AGI} <= [IncomeBin7Max] then
Benefit=max([PercentOfFederalBin6]*{value.cdctc.fed}, [PercentOfExpensesBin6]*{expense})

If {income.AGI} <= [IncomeBin1Max], then Benefit = Benefit
If {income.AGI} > [IncomeBin1Max], then Benefit = min(Benefit, {tax.income.state})

<u>If stateFIPS==23 (Maine)</u>
if {income.AGI} <= [IncomeBin1Max] then
Benefit=max([PercentOfFederalBin1]*{value.cdctc.fed}, [PercentOfExpensesBin1]*{expense})

if {income.AGI} > [IncomeBin1Max] & {income.AGI} <= [IncomeBin2Max] then
Benefit=max([PercentOfFederalBin2]*{value.cdctc.fed}, [PercentOfExpensesBin2]*{expense})

if {income.AGI} > [IncomeBin2Max] & {income.AGI} <= [IncomeBin3Max] then
Benefit=max([PercentOfFederalBin3]*{value.cdctc.fed}, [PercentOfExpensesBin3]*{expense})

if {income.AGI} > [IncomeBin3Max] & {income.AGI} <= [IncomeBin4Max] then
Benefit=max([PercentOfFederalBin4]*{value.cdctc.fed}, [PercentOfExpensesBin4]*{expense})

if {income.AGI} > [IncomeBin4Max] & {income.AGI} <= [IncomeBin5Max] then
Benefit=max([PercentOfFederalBin5]*{value.cdctc.fed}, [PercentOfExpensesBin5]*{expense})

if {income.AGI} > [IncomeBin5Max] & {income.AGI} <= [IncomeBin6Max] then
Benefit=max([PercentOfFederalBin6]*{value.cdctc.fed}, [PercentOfExpensesBin6]*{expense})

if {income.AGI} > [IncomeBin6Max] & {income.AGI} <= [IncomeBin7Max] then
Benefit=max([PercentOfFederalBin6]*{value.cdctc.fed}, [PercentOfExpensesBin6]*{expense})

if Benefit <=500 then Benefit=Benefit
if Benefit >500 then Benefit=min(Benefit,{state income tax})

<u>If stateFIPS==24 (Maryland)</u>
If {filingStatus} == "Married Filing Jointly", then

[IncomeBin1Max] = 75000
[IncomeBin2Max] = 110000
[IncomeBin3Max] = 125000
[IncomeBin4Max] = 141000

if {income.AGI} <= [IncomeBin1Max] then
Benefit=max([PercentOfFederalBin1]*{value.cdctc.fed}, [PercentOfExpensesBin1]*{expense})

if {income.AGI} > [IncomeBin1Max] & {income.AGI} <= [IncomeBin2Max] then
Benefit=max([PercentOfFederalBin2]*{value.cdctc.fed}, [PercentOfExpensesBin2]*{expense})

if {income.AGI} > [IncomeBin2Max] & {income.AGI} <= [IncomeBin3Max] then
Benefit=max([PercentOfFederalBin3]*{value.cdctc.fed}, [PercentOfExpensesBin3]*{expense})

if {income.AGI} > [IncomeBin3Max] & {income.AGI} <= [IncomeBin4Max] then
Benefit=max([PercentOfFederalBin4]*{value.cdctc.fed}, [PercentOfExpensesBin4]*{expense})

if {income.AGI} > [IncomeBin4Max] & {income.AGI} <= [IncomeBin5Max] then
Benefit=max([PercentOfFederalBin5]*{value.cdctc.fed}, [PercentOfExpensesBin5]*{expense})

if {income.AGI} > [IncomeBin5Max] & {income.AGI} <= [IncomeBin6Max] then
Benefit=max([PercentOfFederalBin6]*{value.cdctc.fed}, [PercentOfExpensesBin6]*{expense})

if {income.AGI} > [IncomeBin6Max] & {income.AGI} <= [IncomeBin7Max] then
Benefit=max([PercentOfFederalBin6]*{value.cdctc.fed}, [PercentOfExpensesBin6]*{expense})

If {income.AGI} <= [IncomeBin1Max], then Benefit = Benefit
If {income.AGI} > [IncomeBin1Max], then Benefit = min(Benefit, {tax.income.state})

<u>If stateFIPS==27 (Minnesota)</u>
if {income.AGI} <= [IncomeBin1Max] then
Benefit=max([PercentOfFederalBin1]*{value.cdctc.fed}, [PercentOfExpensesBin1]*{expense})

if {income.AGI} > [IncomeBin1Max] & {income.AGI} <= [IncomeBin2Max] then
Benefit=max(([PercentOfFederalBin1]-[PhaseOutRate]*({income.AGI}-[IncomeBin1Max]))*{value.cdctc.fed}, [PercentOfExpensesBin2]*{expense})

if {income.AGI} > [IncomeBin3Max] & {income.AGI} <= [IncomeBin4Max] then
Benefit=max([PercentOfFederalBin4]*{value.cdctc.fed}, [PercentOfExpensesBin4]*{expense})

if {income.AGI} > [IncomeBin4Max] & {income.AGI} <= [IncomeBin5Max] then
Benefit=max([PercentOfFederalBin5]*{value.cdctc.fed}, [PercentOfExpensesBin5]*{expense})

if {income.AGI} > [IncomeBin5Max] & {income.AGI} <= [IncomeBin6Max] then
Benefit=max([PercentOfFederalBin6]*{value.cdctc.fed}, [PercentOfExpensesBin6]*{expense})

if {income.AGI} > [IncomeBin6Max] & {income.AGI} <= [IncomeBin7Max] then
Benefit=max([PercentOfFederalBin6]*{value.cdctc.fed}, [PercentOfExpensesBin6]*{expense})

If [Refundable] == "Yes", then Benefit = Benefit
If [Refundable] == "No", then Benefit = min(Benefit, {tax.income.state})

If stateFIPS==31 (Nebraska)
if {income.AGI} <= [IncomeBin1Max] then
Benefit=max([PercentOfFederalBin1]*{value.cdctc.fed}, [PercentOfExpensesBin1]*{expense})

if {income.AGI} > [IncomeBin1Max] & {income.AGI} <= [IncomeBin2Max] then
Benefit=max([PercentOfFederalBin2]*{value.cdctc.fed}, [PercentOfExpensesBin2]*{expense})

if {income.AGI} > [IncomeBin3Max] & {income.AGI} <= [IncomeBin4Max] then
Benefit=max([PercentOfFederalBin4]*{value.cdctc.fed}, [PercentOfExpensesBin4]*{expense})

if {income.AGI} > [IncomeBin4Max] & {income.AGI} <= [IncomeBin5Max] then
Benefit=max([PercentOfFederalBin5]*{value.cdctc.fed}, [PercentOfExpensesBin5]*{expense})

if {income.AGI} > [IncomeBin5Max] & {income.AGI} <= [IncomeBin6Max] then
Benefit=max([PercentOfFederalBin6]*{value.cdctc.fed}, [PercentOfExpensesBin6]*{expense})

if {income.AGI} > [IncomeBin6Max] & {income.AGI} <= [IncomeBin7Max] then
Benefit=max([PercentOfFederalBin6]*{value.cdctc.fed}, [PercentOfExpensesBin6]*{expense})

If {income.AGI} <= [IncomeBin2Max], then Benefit = Benefit
If {income.AGI} > [IncomeBin2Max], then Benefit = min(Benefit, {tax.income.state})

<u>If stateFIPS==35 (New Mexico)</u>
if {income.AGI} <= [IncomeBin1Max] then
Benefit=max([PercentOfFederalBin1]*{value.cdctc.fed}, [PercentOfExpensesBin1]*{expense})

if {income.AGI} > [IncomeBin1Max] & {income.AGI} <= [IncomeBin2Max] then
Benefit=max([PercentOfFederalBin2]*{value.cdctc.fed}, [PercentOfExpensesBin2]*{expense})

if {income.AGI} > [IncomeBin2Max] & {income.AGI} <= [IncomeBin3Max] then
Benefit=max([PercentOfFederalBin3]*{value.cdctc.fed}, [PercentOfExpensesBin3]*{expense})

if {income.AGI} > [IncomeBin3Max] & {income.AGI} <= [IncomeBin4Max] then
Benefit=max([PercentOfFederalBin4]*{value.cdctc.fed}, [PercentOfExpensesBin4]*{expense})

if {income.AGI} > [IncomeBin4Max] & {income.AGI} <= [IncomeBin5Max] then
Benefit=max([PercentOfFederalBin5]*{value.cdctc.fed}, [PercentOfExpensesBin5]*{expense})

if {income.AGI} > [IncomeBin5Max] & {income.AGI} <= [IncomeBin6Max] then
Benefit=max([PercentOfFederalBin6]*{value.cdctc.fed}, [PercentOfExpensesBin6]*{expense})

if {income.AGI} > [IncomeBin6Max] & {income.AGI} <= [IncomeBin7Max] then
Benefit=max([PercentOfFederalBin6]*{value.cdctc.fed}, [PercentOfExpensesBin6]*{expense})

If [Refundable] == “Yes”, then Benefit = Benefit
If [Refundable] == “No”, then Benefit = min(Benefit, {tax.income.state})

If {NumberOfKidsUnder13}<=2, then Benefit = min(Benefit, 480*{NumberOfKidsUnder13})
If {NumberOfKidsUnder13}>2, then Benefit = min(Benefit, 1200)

<u>If stateFIPS==36 (New York)</u>
if {income.AGI} <= [IncomeBin1Max] then
Benefit=max([PercentOfFederalBin1]*{value.cdctc.fed}, [PercentOfExpensesBin1]*{expense})

if {income.AGI} > [IncomeBin1Max] & {income.AGI} <= [IncomeBin2Max] then
Benefit=max([PercentOfFederalBin2]*{value.cdctc.fed}, [PercentOfExpensesBin2]*{expense})

if {income.AGI} > [IncomeBin2Max] & {income.AGI} <= [IncomeBin3Max] then
Benefit=max(([PercentOfFederalBin2]-[PhaseOutRate]*({income.AGI}-[IncomeBin2Max]))*{value.cdctc.fed}, [PercentOfExpensesBin3]*{expense})

if {income.AGI} > [IncomeBin4Max] & {income.AGI} <= [IncomeBin5Max] then
Benefit=max([PercentOfFederalBin5]*{value.cdctc.fed}, [PercentOfExpensesBin5]*{expense})

if {income.AGI} > [IncomeBin5Max] & {income.AGI} <= [IncomeBin6Max] then
Benefit=max([PercentOfFederalBin6]*{value.cdctc.fed}, [PercentOfExpensesBin6]*{expense})

if {income.AGI} > [IncomeBin6Max] & {income.AGI} <= [IncomeBin7Max] then
Benefit=max([PercentOfFederalBin6]*{value.cdctc.fed}, [PercentOfExpensesBin6]*{expense})

If [Refundable] == "Yes", then Benefit = Benefit
If [Refundable] == "No", then Benefit = min(Benefit, {tax.income.state})

If stateFIPS==45 (South Carolina)
if {income.AGI} <= [IncomeBin1Max] then
Benefit=max([PercentOfFederalBin1]*{value.cdctc.fed}, [PercentOfExpensesBin1]*{expense})

if {income.AGI} > [IncomeBin1Max] & {income.AGI} <= [IncomeBin2Max] then
Benefit=max([PercentOfFederalBin2]*{value.cdctc.fed}, [PercentOfExpensesBin2]*{expense})

if {income.AGI} > [IncomeBin2Max] & {income.AGI} <= [IncomeBin3Max] then
Benefit=max([PercentOfFederalBin3]*{value.cdctc.fed}, [PercentOfExpensesBin3]*{expense})

if {income.AGI} > [IncomeBin3Max] & {income.AGI} <= [IncomeBin4Max] then
Benefit=max([PercentOfFederalBin4]*{value.cdctc.fed}, [PercentOfExpensesBin4]*{expense})

if {income.AGI} > [IncomeBin4Max] & {income.AGI} <= [IncomeBin5Max] then
Benefit=max([PercentOfFederalBin5]*{value.cdctc.fed}, [PercentOfExpensesBin5]*{expense})

if {income.AGI} > [IncomeBin5Max] & {income.AGI} <= [IncomeBin6Max] then
Benefit=max([PercentOfFederalBin6]*{value.cdctc.fed}, [PercentOfExpensesBin6]*{expense})

if {income.AGI} > [IncomeBin6Max] & {income.AGI} <= [IncomeBin7Max] then
Benefit=max([PercentOfFederalBin6]*{value.cdctc.fed}, [PercentOfExpensesBin6]*{expense})

If [Refundable] == "Yes", then Benefit = Benefit
If [Refundable] == "No", then Benefit = min(Benefit, {tax.income.state})

If {NumberOfKidsUnder13}<=2, then Benefit = min(Benefit, 210*{NumberOfKidsUnder13})
If {NumberOfKidsUnder13}>2, then Benefit = min(Benefit, 420)

Implementation-Specific Assumptions

Atlanta Fed

See the Federal Child and Dependent Care Tax Credit section.

Limitations

State-specific rules not Included in the PRD.

Arkansas

Arkansas has a refundable version of the CDCTC called the Early Childhood Program Tax Credit. It is available for children under the age of six in an “approved childcare facility, which is defined as a facility that provides an “appropriate early childhood program.” That is itself defined as a “developmentally appropriate program for young children...approved by the Department of Education as complying with the regulatory guidelines” of the Department of Human Services and the Department of Education. Ark. Code Ann. § 26-51-502(c)(1)(C); Ark. Code Ann. § 6-45-103(1). For details, see https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2018/12/Final_Report_NWLC_MCLT.pdf.

Louisiana

This state has a separate Child Care Expense Tax Credit, which is one of the School Readiness Tax Credits. Credit is calculated as a percentage of the Louisiana CDCTC received for care for a child under age six at a childcare facility rated two stars or higher by the state’s quality rating system (200 percent per child for a 5-star facility; 150 percent for a 4-star facility; 100 percent for a 3-star facility; and 50 percent for a 2-star facility).

Louisiana has a separate Household Expense for Physically and Mentally Incapable Persons Credit, which is equal to 100 percent of the federal CDCTC received for employment-related expenses related to the care of any dependent who is physically or mentally incapable of self-care.

For details, see https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2018/12/Final_Report_NWLC_MCLT.pdf.

Maine

The credit rate as a share of the federal CDCTC increases to 50 percent (from 25 percent) of the federal credit if a child attends a quality childcare facility certified through the Maine Department of Health and Human Services. For details, see http://www.taxcreditsforworkersandfamilies.org/state-tax-credits/maine/.

Maine has a separate, refundable Adult Dependent Care Credit. This credit is equal to a percentage, based on the federal AGU, of dependent care expenses not claimed for the federal CDCTC, up to $3,000 for one dependent and $6,000 for two or more dependents. For details, see https://www.maine.gov/revenue/forms/credits/2017/17_adult%20dep%20care%20credit%20wksht.pdf.

New Mexico

The tax credit is equal to 40 percent of qualifying childcare expenses. For a filer with a federal tax liability, this percentage is reduced by the amount that the filer's federal CDCTC offsets the liability. The PRD does not include this logic.

Oklahoma

Families can claim *either* 5 percent of the federal CTC *or* 20 percent of the federal CDCTC, whichever is greater.

Oregon

Families can claim a percentage of childcare expenses eligible for the federal CDCTC according to how close they are to the FPL and the age of their youngest child at the close of the tax year. The credit is not to exceed $12,000 for one qualifying dependent or $24,000 for two or more qualifying dependents. Rather than accounting for variation in the family's position relative to the FPL or by the age of the youngest child, the PRD approximates the share of childcare expenses a family can claim using average values. For details, see http://www.taxcreditsforworkersandfamilies.org/state-tax-credits/oregon/.

Vermont

This state has a separate refundable Low-Income Child and Dependent Care Credit. This credit is calculated as 50 percent of the federal CDCTC received, if care was provided by a regulated childcare provider with federal accreditation or a 3-, 4-, or 5-

STAR quality designation in the state's quality recognition and improvement system, known as STARS (Step Ahead Recognition System). Find eligible providers: https://dcf.vermont.gov/sites/dcf/files/CDD/Docs/Eligible_programs_for_tax_credit.pdf.

2.3 Policies Interactions

Public assistance programs and tax policies are often interrelated. For example, one can deduct net childcare expenses (total childcare expenses net of any government subsidies such as from the CCDF, Head Start, or pre-K) and net utility expenses (the family's spending on utility net of LIHEAP subsidies) for the determination of eligibility for and value of SNAP funds. TANF cash assistance is counted as income across several benefit programs, including SNAP. The value of state tax credits is often proportional to the size of federal credits. Moreover, when several health insurance options are available to the household, some behavioral assumptions are made on how families make decisions regarding the source of health care coverage.

In this section, we provide descriptions of how public assistance programs and tax policies interact and suggest algorithms that minimize the out-of-pocket costs to families.

2.3.1 Childcare Cost Minimization Algorithm

The PRD includes three sources of subsidized childcare: CCDF subsidies, Head Start (including Early Head Start), and Voluntary Pre-K. Depending on the state of residency and income level, a family can be eligible for more than one of these programs and may need to choose which program to participate in.

The PRD calculations assume that for all income-eligible families with age-eligible children, pre-K is the best option, Head Start is the second-best option, and childcare providers accepting CCDF subsidies separate from any Voluntary Pre-K or Head Start program are the third-best option. This ordering minimizes the total out-of-pocket costs to the family.

2.3.2 Health Insurance Costs Minimization Algorithm

There are three sources of health insurance available to families: employer-sponsored, Medicaid/CHIP, and the Health Insurance Marketplace (subsidized and unsubsidized). Availability of employer-sponsored health insurance does not automatically make families ineligible for public health care programs; families can still receive Medicaid/CHIP as well as Marketplace subsidies if they pass those programs' income tests.

The PRD calculations assume that all families decide about the source of health insurance using the following cost-minimization algorithm. Algorithms are slightly different for families who have access to health insurance through their employers and for those who do not.

Those families who **do not have access to employer-sponsored health care** follow these steps:

1. An *income-eligible family* enrolls all qualifying family members in Medicaid/CHIP, as it is the cheapest option.
2. The *income-eligible family* enrolls all remaining members to the subsidized health insurance plan through the Marketplace.
3. *Income-ineligible families* purchase unsubsidized insurance through the Marketplace.

Those families who **have access to employer-sponsored health care** follow these steps:

1. An *income-eligible family* enrolls all family members in Medicaid/CHIP, as it is the cheapest option.
2. To get access to subsidies, families who are *income-eligible for the Marketplace subsidies and have access to employer-sponsored health insurance* must prove that the employer-provided plan is not affordable (see the Health Insurance Marketplace Subsidies section for details).
3. If employer-provided insurance is unaffordable, determine which insurance the person purchases by comparing the cost of purchasing insurance through the employer to the costs of buying subsidized health care on the Marketplace, and choose the cheapest option. The individual's premium for employer sponsored health insurance is on the tab "Employer Sponsored Health Insur" in the PRD. If the individual or family chooses employer-sponsored health insurance, there is an implied value that must be included in benefits calculations. The employer contribution to the total premium is the implied value of health insurance obtained through an employer. It is determined by subtracting the total cost of health insurance (from the Cost Database) from the employee's premium amount in the PRD. Both, the employee premium and the employer contribution amount depend on whether the person purchases coverage for just themselves or their entire family.

2.3.3 Interactions between Public Assistance Programs

Several public assistance programs interact either directly through the categorical eligibility provisions or gross income calculations, or indirectly through net expense deductions. The following list shows the suggested order of calculating values of public assistance programs to ensure accurate calculations.

1. Calculate all child-care-related subsidies (Child Care Development Fund, or CCDF; Head Start; and Voluntary Pre-K and compute net childcare costs.

2. Compute the value of the Housing Choice Voucher Program (Section 8). Take into account the deduction of net childcare expenses from Step 1 that can affect eligibility for and value of the subsidy. Calculate corresponding net housing expenses.
3. Compute the value of LIHEAP subsidies along with the corresponding value of net utility expenses
4. Calculate the value of the SNAP subsidies. SNAP calculations take net childcare expenses (from Step 1), net housing expenses (from Step 2), and net utility expenses (from Step 3) as inputs to produce an accurate subsidy value. Deduct these net expenses from the family's income to determine eligibility for and value of a subsidy.
5. Calculate the federal CDCTC using net childcare costs (from Step 1). See the Interactions between Taxes and Tax Credits section for details.

2.3.4 Interactions between Taxes and Tax Credit

A family's tax liabilities and corresponding tax credits must be computed in a specific order to get accurate estimates. The following list shows the suggested order, as implemented in the PRD.

1. Calculate total federal tax liabilities: federal personal income tax liabilities and the employee portion of the FICA tax liabilities.
2. Calculate the total federal tax liability (which is the sum of the family's federal personal income tax and FICA tax from Step 1).
3. Calculate payroll taxes.
4. Calculate the values of federal EITC, CTC, and CDCTC. Calculations of federal CTC and CDCTC take as an input the total federal tax liability (Step 2). Calculations of federal CDCTC use net childcare expenses as an input, so you must estimate this value first. See the Interactions between Public Assistance Programs section for details.
5. Calculate the value of total federal tax credits (the sum of federal EITC, CTC, and CDCTC from Step 3).
6. Calculate the state personal income tax, taking total federal tax liability (Step 2) and total federal tax credits (Step 4) as inputs for the calculations.
7. Calculate the values of state EITC, CTC, and CDCTC, taking corresponding federal tax credits (Step 3) and state personal income tax (Step 5) as inputs.

Appendix A. List of Abbreviations Used in the PRD

Abbreviation	**Definition**
ABAWD	Able-Bodied Adult without Dependents
ACA	Affordable Care Act
AGI	Adjusted gross income
AMI	Area median income
ARPA	American Rescue Plan Act
BBCE	Broad-based categorical eligibility
CCDF	Child Care and Development Fund
CDCTC	Child and Dependent Care Tax Credit
CEP	Community Eligibility Provision
CHIP	Children’s Health Insurance Program
CLD	Cost-of-Living Database
CLIFF	Career Ladder Identifier and Forecaster
CTC	Child Tax Credit
EITC	Earned Income Tax Credit
ELC	Early earning coalition
FFCRA	Families First Coronavirus Relief Act
FICA	Federal Insurance Contributions Act
FIPS	Federal Information Processing Standards
FMR	Fair Market Rent
FPG	Federal poverty guidelines
FPL	Federal poverty level
FSD	Family share deduction
HCSUA	Heating and cooling standard utility allowance
HSA	Healthcare Savings Account
HUD	Department of Housing and Urban Development

Abbreviation	Definition
LIHEAP	Low-Income Home Energy Assistance Program
MAGI	Modified adjusted gross income
NCCP	National Center for Children in Poverty
NSBP	National Student Breakfast Program
NSLP	National Student Lunch Program
PHA	Public housing agencies
PRD	Policy Rules Database
RCMA	Redlands Christian Migrant Association
SAFMRS	Small Area Fair Market Rents
SBP	School Breakfast Program
SMI	State median income
SNAP	Supplemental Nutrition Assistance Program
SPR	State payment rate
SSDI	Social security disability income
SSI	Social security income
SUA	Standard utility allowance
TANF	Temporary Assistance for Needy Families
TTP	Total Tenant Payment
USDA	United States Department of Agriculture
WIC	Special Supplemental Nutrition Program for Women, Infants, and Children