



RESEARCH REPORT

Reducing Poverty in the United States

Results of a Microsimulation Analysis of the Community Advocates Public Policy Institute Policy Package

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ABOUT COMMUNITY ADVOCATES

The Community Advocates Public Policy Institute, based in Milwaukee, Wisconsin, promotes and implements evidence-based policies that will prevent and reduce poverty while fostering wellness for individuals and families. Generous funding for this project was provided to Community Advocates by Lynn and Elizabeth Adelman, Richard and Barbara Weiss, and the Charles R. O'Malley Charitable Lead Trust. Community Advocates also thanks the Greater Milwaukee Foundation and United Way of Greater Milwaukee for their support.

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Executive Summary

During the Great Recession, the official poverty rate in the United States rose to its highest level in over 15 years. Reducing poverty continues to be a serious public policy concern. This report examines the effects of a package of policies that aim to alleviate poverty through increased work supports and other measures, and estimates that these policies would reduce poverty rates in the United States by more than 50 percent.

The policy package, designed by the Community Advocates Public Policy Institute, includes

- a transitional jobs program providing wage-paying work for unemployed and underemployed people;
- an increase in the federal minimum wage to \$10.10 an hour;
- an expansion of the earned income tax credit, providing a roughly \$4,000 increase in the maximum credit for both childless taxpayers and taxpayers with children, and eliminating virtually all the credit's marriage penalties by allowing both the head and spouse of a married tax unit to claim the credit based on their individual earnings;
- increased support for individuals receiving Social Security and Supplemental Security Income in the form of a tax credit that would raise recipients' incomes to 150 percent of the official poverty guidelines; and
- expanded funding for child care subsidies to guarantee subsidies to individuals with incomes below 150 percent of the official poverty guidelines.

The effects of the policy package were estimated using the TRIM3 microsimulation model, a comprehensive model maintained by the Urban Institute that simulates the effects of the tax and transfer system in the United States. Results were estimated for 2010, at the height of the recent recession, and poverty was measured using the Census Bureau's Supplemental Poverty Measure (SPM), which takes into account the effects of taxes and government programs on poverty.

The policy package as a whole is simulated to reduce the SPM poverty rate in 2010 from 14.8 percent to 7.4 percent (or 6.3 percent with more generous take-up assumptions for transitional jobs). This represents a drop of 50 to 58 percent in the number of people in SPM poverty. The direct cost of the policy package is estimated to be \$332 billion to \$399 billion. These results suggest that a comprehensive policy package can have substantial antipoverty effects, even during a deep recession.

Introduction

Poverty in the United States continues to be an issue of pressing concern to policymakers. The official poverty rate in 2013 was 14.5 percent, as measured by the US Census Bureau (DeNavas-Walt and Proctor 2014); while this represents a drop from a recent high of 15.1 percent in 2010, at the depths of the Great Recession, it still reflects considerable economic hardship. Thus, numerous interested parties, from President Obama to Representative Paul Ryan, have proposed strategies for reducing poverty, using methods ranging from adjustments to tax and transfer programs to increased incentives to work (Goldfarb and Costa 2014). This report examines a policy package designed by the Community Advocates Public Policy Institute, a nonprofit organization in Milwaukee, Wisconsin, to greatly reduce poverty in the United States.

The antipoverty policy package under consideration is similar to one examined in an earlier report focusing on the state of Wisconsin (Giannarelli, Lippold, and Martinez-Schiferl 2012, referred to as the “Wisconsin report”). For this analysis, the policy package is applied to the entire United States, and some modifications were made to the previously simulated policies based on requests from Community Advocates. However, the structure of the policies is broadly the same—the establishment of a large-scale transitional jobs program that would provide work for the unemployed, an increase in the minimum wage, an expansion of the earned income tax credit (EITC), and the expansion of income for retired and disabled people receiving government Social Security or Supplemental Security Income (SSI) benefits. As detailed below, these policies work in concert to assist different subgroups within the population, ultimately reducing poverty in the United States by 50 percent or more.

Methodology

To analyze the effects of the poverty package, I used the TRIM3 microsimulation model, a comprehensive model maintained by the Urban Institute that simulates the tax and transfer system in the United States. Using data representative of US households, the model simulates which households are eligible for different assistance programs and tax credits under existing program rules, and captures the effects of changes in program rules or employment on eligibility and benefits. These results are then used to provide detailed estimates of the effect of proposed policy changes on earnings, income, and poverty.

TRIM3 is primarily funded by the Office of the Assistant Secretary for Planning and Evaluation (ASPE), US Department of Health and Human Services, but is available for use with other projects. More technical details about the model as implemented for this project are available in a recent report discussing a similar antipoverty package (Giannarelli, Lippold, Minton, and Wheaton 2015).

Input Data: 2010 Current Population Survey

This analysis uses 2010 public-use data from the Current Population Survey (CPS) Annual Social and Economic Supplement (ASEC), collected in March 2011 and capturing income in the 2010 calendar year. The CPS is a nationally representative survey of the United States noninstitutionalized population, making it an ideal source of data for a national-level analysis. In particular, the CPS has detailed information on household demographics, income, and benefits received, allowing it to serve as an accurate starting point for TRIM3's simulation of taxes and transfers.

The previous Wisconsin report for Community Advocates used 2008 data from the American Community Survey (ACS). Using the 2010 CPS for this project enabled the model to capture effects of the package on the entire United States (rather than just Wisconsin), allowed more detailed simulation of policy rules (for example, the CPS includes more detail than the ACS on the reason households are not working), and allowed the analysis to reflect a more recent time period.

Baseline: 2010 Policies, without Stimulus Measures

The first step in conducting an analysis using TRIM3 is to use the model to generate a baseline that estimates receipt of taxes and transfers among households in the input data. While the CPS provides basic information about household characteristics, many program benefits, such as Temporary Assistance for Needy Families, (TANF), are substantially underreported in the raw CPS data when compared to published administrative data, as shown in detail in appendix A. Further, the CPS does not include information about several tax and transfer programs important to poverty, such as federal and state income taxes. Thus, the baseline process involves making imputations and adjustments to the input data to align measures of program participation and benefits with published administrative totals and to generate reasonable estimates of data elements missing from the survey. The baseline simulations of the various programs are internally consistent; for example, income from simulated TANF benefits is counted when simulating a family's eligibility for public housing programs. The baseline results thus augment the CPS survey data to provide a comparison point against which the effects of alternative policies can be measured.

For this analysis, I began with the standard 2010 TRIM3 baseline generated for ASPE as part of annual TRIM3 development, modified by some technical adjustments prepared for other projects.¹ As shown in appendix A, this baseline is relatively close to administrative totals (within 5 percent) for most of the major tax and transfer programs of interest.² At the request of Community Advocates, I then implemented two changes to the standard baseline data:

- The 2010 standard TRIM3 baseline included the Making Work Pay tax credit, a temporary stimulus measure enacted by the American Recovery and Reinvestment Act of 2009 (ARRA) that gave a \$400 tax refund to almost all taxpayers in the United States. To estimate the effects of the policies in the absence of the credit (which expired after 2010), I adjusted tax rules so this credit was not in effect.
- Also as part of ARRA, the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps) benefits that are reflected in the 2010 standard TRIM3 baseline were substantially increased from their 2008 levels. However, this benefit increase expired in November 2013. To more accurately capture the effects of the policy package in the absence of this temporary increase (as would be the case if the package were implemented today), I used data from the USDA Food and Nutrition Service to calculate what SNAP benefit amounts would have been in 2010 in the absence of the ARRA benefit increase, and applied these benefit levels in the model.

Thus, the final baseline used for this project reflects tax and transfer policies in place in 2010, except for the absence of both the temporary Making Work Pay tax credit and the short-term increase in SNAP benefits. I did not adjust or age the data used to reflect other changes between 2010 and the present day; thus, the results reflect the effects of the policy package had its policies been in place in 2010.

Poverty Measure: Supplemental Poverty Measure

The official measure of poverty used by the Census Bureau has several well-recognized flaws. The measure excludes the effects of in-kind transfer program benefits (such as SNAP and housing subsidies) on families' well-being, does not consider how taxes affect poverty, and does not account for geographic variation in the cost of living. Because this project sought to find accurate antipoverty effects, including those due to policies implemented through the tax code, I used the Census Bureau's Supplemental Poverty Measure (SPM) to evaluate poverty in this analysis.

The SPM that I used closely approximated 2010 Census Bureau methods as described by Short (2011). Further details about the SPM's computation in TRIM3 are available in a recent report (Giannarelli et al. 2015), so are only briefly summarized here.

The SPM differs from the official poverty measure in regard to both the resources considered when determining a family's income and the thresholds used to determine when a family is in poverty. These differences are summarized in table 1. In particular, the SPM counts the value of several noncash benefit programs as additions to income, but also subtracts tax liabilities and expenses for health care, child care, and work when computing a family's resources. The thresholds for SPM poverty vary by geography and housing status, unlike the official poverty thresholds.

TABLE 1

Resources and Thresholds in the Official and Supplemental Poverty Measures

Concept	Official poverty definition	Supplemental Poverty Measure (SPM)
Resources	Cash income, composed of <ul style="list-style-type: none"> ■ wages, salaries, and self-employment income ■ interest, dividends, rent, trusts ■ Social Security and Railroad Retirement ■ pensions ■ disability benefits ■ unemployment compensation ■ child support <i>received</i>^b ■ veterans' benefits ■ educational assistance (grants) ■ Supplemental Security Income^b ■ Temporary Assistance for Needy Families^b ■ other cash public assistance 	Cash Income, composed of components shown for official measure <ul style="list-style-type: none"> + SNAP benefits^b + Women, Infants and Children (WIC) benefits^b + school lunch^b + housing subsidies^b + Low Income Home Energy Assistance Program (LIHEAP) benefits^b + federal EITC and refundable child tax credit^b + state EITC, other refundable credits^b – payroll taxes^b – federal income taxes^b – state income taxes^b – child care expenses^b – other work expenses – medical out-of-pocket expenses – child support <i>paid</i>^b
Thresholds	National thresholds vary by age (under 65 and 65+) and number of children and adults. The original thresholds were based on the share of income spent on food under an “Economy Food Plan” developed from a 1955 expenditure survey, multiplied by three since food in 1955 accounted for one-third of total household spending. The thresholds are adjusted annually for price changes using the Consumer Price Index.	Thresholds vary by number of children and adults and by housing status (rents, owns with mortgage, or owns without mortgage), and reflect the 33rd percentile of expenditures by families with two children on a basic set of goods (food, clothing, shelter, utilities), plus 20 percent more, based on five years of Consumer Expenditure Survey data. ^a Geographic adjustments are applied to the housing portion of the threshold.

Source: Adapted from Giannarelli et al. (2015).

Notes: a. See Garner (2010, 2011) and Short (2011) for a description of the SPM thresholds.

b. These elements differ between TRIM3's estimate of the baseline SPM and the Census Bureau's implementation because of different imputation strategies (as discussed in Giannarelli et al. 2015).

The Wisconsin report for Community Advocates used ACS data, which necessitated some modifications in the implementation of the SPM. For this project, I implemented the SPM following standard Census Bureau methods for the CPS, leading to some differences between the two projects' poverty definitions.

- Because the CPS contains information about school lunch benefits and child support paid, these measures are counted in resources (as listed in table 1), whereas they were excluded from the Wisconsin report's ACS-based SPM.

- Because the CPS contains more information on out-of-pocket medical expenses than the ACS, this project counts such directly measured expenses as a subtraction from resources, rather than computing an average value of medical expenses to add to the threshold, as was done for the ACS work. This approach reflects standard Census Bureau practice for SPM computation.
- Because geographic information is more limited in the CPS than the ACS, geographic adjustments to the SPM thresholds used with the CPS are computed based on the lowest available disclosed level of geography (typically a large metropolitan area or all rural areas in a state), whereas the ACS geographic adjustments use super-Public Use Microdata Areas. This approach for the CPS is the same as that used by the Census Bureau (Renwick 2011).

Because the SPM uses a broader measure of family resources than the official poverty measure, but also uses poverty thresholds that vary based on more factors (such as housing costs), poverty rates under the SPM may be higher or lower than under the official poverty measure. In the case of 2010, the Census Bureau’s estimate of SPM poverty in the United States is higher than the official poverty rate, at 16.0 percent versus 15.2 percent (as shown in table 2).

TABLE 2

Poverty Rates in the United States for 2010, Computed by Various Methods

Source and method	Poverty rate
Census Bureau^a	
Official poverty	15.2
SPM poverty	16.0
Urban Institute^b	
<i>SPM with CPS resource amounts</i>	16.0
<i>SPM with TRIM3-simulated resources</i>	
Standard baseline	13.6
Without stimulus measures	14.8

Sources: a. Short 2011; the official poverty figure here includes unrelated children, to represent the same universe as the SPM.
b. Calculated by the Urban Institute using TRIM3.

Table 2 also shows that TRIM3’s computation of the SPM matches the Census computation when using the CPS amounts of household resources, indicating that the model’s methods are able to replicate the Census Bureau’s SPM methodology as intended. TRIM3 next simulates resources with corrections for underreporting (such as increasing the amount of SNAP benefits to match administrative totals of the amount of benefits actually distributed in 2010), which lowers the

computed SPM poverty rate to 13.6 percent. I then compute SPM poverty under the assumptions of Community Advocates' baseline that excludes some stimulus measures (the Making Work Pay credit and SNAP benefit increase), which results in a final baseline SPM poverty rate for this analysis of 14.8 percent.

Alternative Policies

The policy package proposed by Community Advocates involves several new programs and modifications to existing policies, as described below. For each policy, I discuss the design of the policy and the steps taken to simulate the results.

Transitional Jobs

This policy would provide publicly subsidized transitional jobs to individuals who are unemployed or underemployed during the year. The full details of the policy that Community Advocates proposes are as follows:

1. Eligibility: To be eligible for a transitional job, an individual must be
 - a. a legal resident of the United States;
 - b. at least 18 years of age, but no more than 69 years of age;
 - c. not incarcerated; and
 - d. unemployed, or employed for no more than 32 hours per week, for at least four consecutive weeks.
2. Job offer: An individual who is eligible for a transitional job would be offered the opportunity to work in a transitional job, at the applicable minimum wage (i.e., the state or federal minimum wage, whichever is higher), for up to 30 weeks per job, provided that the number of hours of transitional job work that the individual is offered must be
 - a. at least 8 hours per week, and
 - b. no more than a number of hours per week that, when combined with the hours per week that the individual is working in unsubsidized employment, equals 40 hours per week.
3. Duration of transitional job: An individual may work in a transitional job for up to 30 consecutive weeks, provided that the individual continues to meet the initial eligibility requirements and

- a. the individual, during the period of employment in the transitional job, pursues efforts to replace hours of work in the transitional job with regular unsubsidized employment;
 - b. the individual accepts any appropriate job offer to engage in regular employment; and
 - c. the number of hours that the individual remains at work in a transitional job, if any, meets the minimum and maximum requirements of part (2).
4. Renewal of transitional job: If an individual who works in a transitional job
- a. is unable, after the end of 30 consecutive weeks of employment in a transitional job, to find 32 or more hours per week of regular employment;
 - b. engages in an intensive job search for at least four consecutive weeks; and
 - c. continues to meet the eligibility criteria for a transitional job under (1),
- then the individual would again be offered the opportunity to work in a transitional job under the same terms as described in (2) and (3).
5. Prohibited employment: The employment of an individual in a transitional job may not do any of the following:
- a. have the effect of filling a vacancy created by an employer terminating a regular employee or otherwise reducing its work force for the purpose of hiring the individual;
 - b. fill a position when any other person is on layoff or strike from the same or a substantially equivalent job within the same organizational unit; or
 - c. fill a position when any other person is engaged in a labor dispute regarding the same or a substantially equivalent job within the same organizational unit.

TECHNICAL DETAILS

To simulate this transitional jobs policy, I made several assumptions, as agreed upon by Community Advocates:

- To identify the population eligible to work in transitional jobs, I selected adults aged 18 to 69 who were not unauthorized immigrants and were not receiving SSI or Social Security benefits.³ While this last population would in reality be eligible to take jobs under the proposed policy, Community Advocates and I considered these individuals unlikely to take a job offer because of disability or retirement, so assumed they would not take up the program. Also, individuals who work part-time in the baseline data, but indicated in the CPS that they are working part-time by choice, were not simulated to take transitional jobs to increase their hours of work. It was not necessary to simulate the requirement that individuals cannot be incarcerated, since the CPS input data is already restricted to noninstitutionalized people.

- I used two alternative assumptions regarding the take-up rate for transitional jobs, as specified by Community Advocates and detailed in tables 3 and 4. In the lower take-up rate assumption, the maximum take-up rate for transitional jobs would be 25 percent for individuals in SPM poverty who were not working during the year, with take-up rates decreasing with higher income and more hours worked. For the higher take-up rate assumption, the maximum take-up rate was 50 percent, with take-up rates again decreasing with higher income and more hours worked.

TABLE 3

Specified Lower Take-Up Rates for Transitional Jobs

Percent of SPM threshold	Average Hours Worked per Week in Regular (Nontransitional) Jobs			
	0	1 to 16	17 to 24	25 to 32
Up to 100%	25%	20%	10%	7.5%
101% to 150%	20%	15%	7.5%	5%
151% to 200%	15%	10%	5%	2%
201% to 250%	5%	2%	1%	0%
251% to 300%	1%	0%	0%	0%
Above 300%	0%	0%	0%	0%

TABLE 4

Specified Higher Take-Up Rates for Transitional Jobs

Percent of SPM threshold	Average Hours Worked per Week in Regular (Nontransitional) Jobs			
	0	1 to 16	17 to 24	25 to 32
Up to 100%	50%	40%	20%	15%
101% to 150%	40%	30%	15%	10%
151% to 200%	30%	20%	10%	5%
201% to 250%	10%	5%	2%	0%
251% to 300%	2%	0%	0%	0%
Above 300%	1%	0%	0%	0%

In addition, the assumptions specify that individuals with disabilities (but not receiving SSI or Social Security, as detailed above) would take up transitional jobs at 75 percent of the rates above (in tables 3 and 4), individuals who are full-time students at 50 percent of the rates above, and individuals receiving pension income or who report in the CPS that they are not working because they are “taking care of home or family” at 25 percent of the rates above.

- Individuals selected to take a job who did not work at all during the year in the baseline were assumed to work in a transitional job for 48 weeks in 2010. This conservatively assumes that no individuals would move from transitional jobs to unsubsidized employment over the course of the year (thus giving an upper-bound estimate of the program's cost), although experience with small-scale transitional programs suggests that many individuals hold transitional jobs for much shorter periods and frequently leave them for unsubsidized employment (Roder and Elliott 2013). Of this group of previously unemployed people selected to take up a transitional job, I followed Community Advocates' guidelines assuming that 80 percent of the group would take full-time transitional jobs for 40 hours a week and 20 percent would take part-time transitional jobs for 20 hours a week.
- Individuals who worked for part of the year or part time in the baseline were assumed to take transitional jobs such that they worked 40 hours a week for the entire year.

To simulate the transitional jobs policy, I used TRIM3's capabilities to modify employment in the input data, randomly selecting eligible individuals in accordance with the take-up rates. The individuals selected to work in transitional jobs had their earnings modified to reflect the above-mentioned number of hours of work at the minimum wage, which then affected calculations of eligibility and benefits for other transfer programs.

COMPARISON TO WISCONSIN REPORT

The transitional jobs policy simulated here is very similar to the one simulated in the Wisconsin report, but with significantly smaller take-up assumptions. (Whereas the lower take-up rate assumption used here starts from 25 percent as a maximum, the Wisconsin report used 50 percent, and the higher take-up rate assumption here begins with 50 percent, while the Wisconsin report used 75 percent.) I also simulated workers as working in the jobs for 40 hours a week (with 20 percent of the previously unemployed working 20 hours a week), rather than the simpler assumption of uniform but lower weekly hours in the Wisconsin report.

Minimum Wage Increase

This policy would increase the federal minimum wage to \$10.10 an hour for most workers and to \$7.07 an hour for tipped workers. These values are expressed in 2014 dollars, and would be indexed to inflation afterwards.⁴ Thus, this policy is very similar to the increase recently proposed by President Obama (Goldfarb and Costa 2014).

TECHNICAL DETAILS

Because this policy was applied to household data for 2010, I deflated the amount of the minimum wage from 2014 to 2010 dollars using the CPI-U and the Congressional Budget Office's projection of inflation (2014). This resulted in a minimum wage of \$9.30 (with the wage for tipped workers at \$6.51), which was higher than any state's minimum wage in 2010. I then applied this minimum wage to the input data using TRIM3's simulation procedures, raising the incomes of individuals who appeared to be making the current minimum wage or above to the value of the new minimum wage. (Further details on this process, including the procedure used to identify tipped workers, can be found in Giannarelli et al. 2015.)

While the effects of raising the minimum wage on employment are uncertain (Acs, Wheaton, Enchautegui, and Nichols 2014), to provide a conservative estimate of the policy's impacts, I simulated the minimum wage assuming two kinds of employment effects. The first assumption was that individuals receiving a minimum wage increase had a small probability of losing their jobs, equal to 0.06 percent times the increase in the wage (so a worker with a 28 percent wage increase would have a 1.7 percent change of losing his or her job). The second assumption was that there would be some spillover effects; workers making near the minimum wage would see a wage increase in response to the change in the economy's wage structure (even though these workers' wages would not be legally required to increase). Specifically, I assumed that workers with baseline wages in a range from \$1 below the old minimum wage to \$1 above the new minimum wage (between \$6.25 and \$10.30) would see a wage increase inversely proportional to their distance from the minimum. These assumptions are the same as the employment effects assumptions in Giannarelli et al. (2015).

COMPARISON TO WISCONSIN REPORT

In the prior simulation, Community Advocates proposed an increase in the 2008 Wisconsin minimum wage from \$6.50 an hour to \$8.00 an hour. This represented a 23 percent increase in the minimum wage, whereas this report's increase in 2010 from \$7.25 to \$9.30 nationwide would represent up to a 28 percent increase (although the increase would be lower in states with a higher 2010 minimum wage).

Earned Income Tax Credit Reform

The EITC is a federal refundable tax credit that provides a benefit to taxpayers with earned income below certain levels, based on the taxpayer's level of earnings and number of qualifying children

claimed. This policy would substantially increase the amount of the EITC for both childless individuals and families with children, as shown in table 5, which reports the credit parameters for taxpayers who are not married filing jointly (i.e., either “single” or “head of household” for tax purposes). The credit parameters would be indexed to inflation after 2010.

TABLE 5

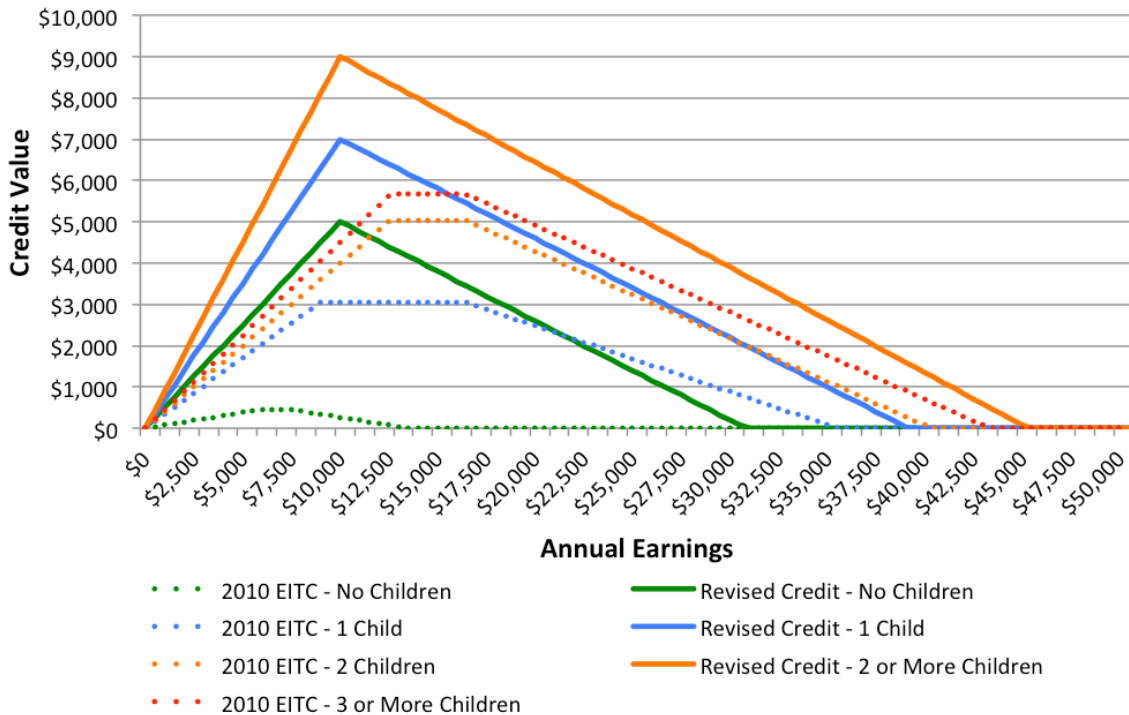
Earned Income Tax Credit Parameters for Unmarried Individuals

Group and parameter	EITC in 2010 baseline	Proposed EITC
No qualifying children		
Phase-in rate	7.65%	50%
Phase in ends	\$5,980	\$10,000
Maximum credit	\$457	\$5,000
Phase out begins	\$7,480	\$10,000
Phase-out rate	7.65%	24%
One qualifying child		
Phase-in rate	34%	70%
Phase in ends	\$8,970	\$10,000
Maximum credit	\$3,050	\$7,000
Phase out begins	\$16,450	\$10,000
Phase-out rate	15.98%	24%
Two qualifying children		
Phase-in rate	40%	90%
Phase in ends	\$12,590	\$10,000
Maximum credit	\$5,036	\$9,000
Phase out begins	\$16,450	\$10,000
Phase-out rate	21.06%	25.5%
Three or more qualifying children		
Phase-in rate	45%	90%
Phase in ends	\$12,590	\$10,000
Maximum credit	\$5,666	\$9,000
Phase out begins	\$16,450	\$10,000
Phase-out rate	21.06%	25.5%

The effects of the proposed credit are illustrated in figure 1, which compares the proposed credit with the 2010 EITC at various levels of earned income for unmarried taxpayers. The maximum value of the new credit is about as large for an unmarried taxpayer with no children as the 2010 maximum EITC for an unmarried taxpayer with two children, but phases out at a slightly greater rate; the maximum proposed credit also increases by \$2,000 for each qualifying child.

FIGURE 1

Comparison of Proposed Earned Income Tax Credit Amounts to 2010 Amounts for Unmarried Individuals, by Earnings and Number of Qualifying Children



Notes: Annual earnings reflect earned income, and number of children reflects number of EITC-qualifying children.

In addition, for the purpose of largely eliminating the marriage penalty that is embedded in the current EITC, the proposed policy would make several changes to the EITC for married couples. Rather than having a separate set of EITC parameters for individuals who are married filing jointly (as under current law), married individuals would use generally the same set of parameters as single individuals; however, each married individual would be able to claim a separate EITC based on his or her individual earnings. In the computation of each spouse’s EITC, individuals would first compute their credits without children; the spouse with the higher childless EITC would then be allowed to claim any qualifying children, resulting in an enhancement (based on that spouse’s individual earnings) of that spouse’s EITC that increases with the number of children.

For example, consider a married couple with two children where one spouse has \$30,000 of earnings and the other has \$15,000 in earnings. The family could claim a total EITC equal to one EITC figured with the \$30,000 amount, plus one EITC with the \$15,000 amount; since the childless EITC is higher at \$15,000 in earnings than at \$30,000, the spouse earning \$15,000 would compute his or her

credit using the parameters for two children, while the other spouse would use the childless parameters.

Table 6 reports the credit parameters for taxpayers who are married filing jointly. These parameters are the same as for unmarried taxpayers for up to two qualifying children, but include additional parameters for families with three and four or more children.

TABLE 6

Earned Income Tax Credit Parameters for Married Couples

Group and parameter	EITC in 2010 baseline	Proposed EITC
No qualifying children		
Phase-in rate	7.65%	50%
Phase in ends	\$5,980	\$10,000
Maximum credit	\$457	\$5,000
Phase out begins	\$12,490	\$10,000
Phase-out rate	7.65%	24%
One qualifying child		
Phase-in rate	34%	70%
Phase-in ends	\$8,970	\$10,000
Maximum credit	\$3,050	\$7,000
Phase out begins	\$21,460	\$10,000
Phase-out rate	15.98%	24%
Two qualifying children		
Phase-in rate	40%	90%
Phase in ends	\$12,590	\$10,000
Maximum credit	\$5,036	\$9,000
Phase out begins	\$21,460	\$10,000
Phase-out rate	21.06%	25.5%
Three qualifying children		
Phase-in rate	45%	110%
Phase in ends	\$12,590	\$10,000
Maximum credit	\$5,666	\$11,000
Phase out begins	\$21,460	\$10,000
Phase-out rate	21.06%	27%
Four or more qualifying children		
Phase-in rate	45%	130%
Phase in ends	\$12,590	\$10,000
Maximum credit	\$5,666	\$13,000
Phase out begins	\$21,460	\$10,000
Phase-out rate	21.06%	28.5%

Note: Married couples filing jointly may claim the value of two credits, computed using each spouse's individual earnings. Only one spouse may use the EITC parameters for one or more children; the other spouse's EITC is computed using the parameters for no qualifying children.

Several eligibility requirements for the current EITC require *both* spouses to qualify for the couple to receive the EITC; for example, both spouses must have valid Social Security numbers and meet

certain age limits (if childless) to qualify. Under the proposed policy, failing to meet the eligibility requirements would disqualify only the noncompliant individual from taking the EITC; that person's spouse would still be able to claim an EITC based on his or her earnings.⁵

In addition, the policy changes the age limitations applied to the credit. Under 2010 law, the EITC was available to childless individuals between the ages of 25 and 64, and to individuals of any age with EITC-qualifying children. The policy would make the EITC available to childless individuals between ages 18 and 69 and to individuals up to age 69 with qualifying children.⁶

TECHNICAL DETAILS

Because TRIM3 already simulates the EITC, I modified existing parameters to match those proposed by Community Advocates and implemented new programming to allow each married individual to claim a separate credit. I assumed that the states that currently provide a state EITC (usually calculated as a proportion of the federal credit) would continue with the same tax rules, meaning states would expand their state EITCs as the federal EITC increases.

In addition to simulating the direct impacts of the EITC, I simulated the policy with the assumption of employment effects, where the presence of the credit as a subsidy for earned income provides a greater incentive to work and thus encourages individuals to enter the labor force. For this analysis, I continued the assumption from the Wisconsin report that individuals would respond to the credit by increasing employment rates by 3.6 percent for single individuals with children, and by 1.8 percent for single individuals without children. (This represents a lower bound on employment impacts, as the 3.6 percent elasticity used in prior work assumes a \$1,000 increase in the maximum EITC, while this policy would actually involve about a \$4,000 increase.) I also continued the prior assumption of no increase in employment for married couples, as the literature for the labor supply effects of the EITC for married couples is ambiguous (Eissa and Hoynes 2004). This again represents a lower bound of policy impacts, as the proposal would eliminate the current EITC's potential disincentives for a second earner in a married couple to work.

To implement the employment effects, I randomly selected individuals who would be eligible for the EITC after taking a job to begin to work, selecting enough people to create a net 3.6 percent increase in employment for single individuals with children and a 1.8 percent increase for childless individuals.⁷ Workers were assumed to take jobs at the minimum wage, and were randomly assigned to work different numbers of hours, corresponding to the distribution of hours worked among individuals in SPM poverty in the baseline simulation.⁸

COMPARISON TO WISCONSIN REPORT

The EITC policy proposed here is more generous than the Earnings Supplement Reform in the Wisconsin report, which involved an increase in the maximum EITC of about \$2,500, compared with \$4,000 in this report. (Note that because the changes to the Child Tax Credit discussed in the Wisconsin report had already been implemented by stimulus legislation in 2010, that change was already part of the baseline for this project and was not simulated.)

Secure Retirement and Disability Tax Credit

This credit would provide greater incomes to individuals receiving Social Security or SSI benefits because of age or disability. Administered through the tax code, the refundable credit would be available to any taxpayer receiving Social Security retirement benefits, Social Security Disability Insurance (SSDI) benefits, or SSI benefits, who is age 18 or older and not a dependent of another taxpayer. The amount of the credit would be equal to 150 percent of the Department of Health and Human Services' Poverty Guideline for the taxpayer's tax unit (with unit size calculated as the sum of exemptions claimed by that unit), less the sum of the tax unit's Social Security, SSI, SNAP, and adjusted gross income (if positive).⁹ Thus, the credit effectively brings eligible taxpayers' incomes up to 150 percent of the official poverty guidelines.

TECHNICAL DETAILS

The official poverty guidelines for 2010 were used for this project, and are listed in table 7. I programmed the structure of the credit in TRIM3's federal tax module, applying the policy specifications and computing the credit for eligible individuals.

TABLE 7

2010 Poverty Guidelines for Secure Retirement and Disability Tax Credit

Persons in family	Poverty guideline
1	\$10,830
2	14,570
3	18,310
4	22,050
5	25,790
6	29,530
7	33,270
8	37,010

For families with more than 8 persons, add \$3,740 for each additional person.

Source: Department of Health and Human Services, <http://aspe.hhs.gov/poverty/10poverty.shtml>.

COMPARISON TO WISCONSIN REPORT

The version of the tax credit for the elderly and disabled in this analysis uses a lower poverty threshold than the Wisconsin report (150 percent of the poverty guidelines, rather than one of the highest SPM thresholds in Wisconsin). Thus, the antipoverty effects of this policy are expected to be lower than for the Wisconsin credit.

Child Care Subsidies

At Community Advocates' request, I simulated a policy of increasing access to child care subsidies. Specifically, this policy would assume an increase in funding for the Child Care Development Fund (CCDF) such that every state could guarantee subsidized child care to every family below 150 percent of the poverty guidelines that wanted such a subsidy. State eligibility limits and other rules would be the same as the baseline.

TECHNICAL DETAILS

I followed the procedures used to simulate an identical policy for another project (see Giannarelli et al. 2015). Briefly, this involved identifying families that met the 150 percent of poverty criteria and that were eligible but were not currently receiving CCDF subsidies, and then assigning those families to receive subsidies. I assumed that only families that reported child care expenses in the input CPS data would want subsidies (so no families would switch from free in-kind care to higher-cost care in response to the subsidy), and that care would be provided at the maximum reimbursement rates for each state.

I simulated this policy including an effect of the new child care subsidies on employment, following previous work (Giannarelli et al. 2015). This simulation involved assuming that individuals who would begin to receive subsidies under the new policy if they began to work would have a probability of taking a job equal to 30 percent times the percentage change in child care expenses from the policy. For example, if a family would pay 50 percent less in child care expenses after beginning to work under the new policy relative to the old policy (i.e., without guaranteed child care subsidies), then the family head would have a 15 percent chance of taking a job. People assigned to begin working did so at the minimum wage and with levels of hours corresponding to those used for the employment effects in the EITC simulation (above).

COMPARISON TO WISCONSIN REPORT

Because Wisconsin has a child care subsidy program (called Wisconsin Shares) that enables all qualifying parents earning below 185 percent of the federal poverty line to obtain child care subsidies for their children (see <http://dcf.wisconsin.gov/childcare/wishares/eligibility.htm>), this policy was not modeled for the Wisconsin report. That report assumed, however, that the cost of the state's existing child care subsidies would increase to meet demand resulting from new employment, so the net effect of the policies is similar.

Combined Package

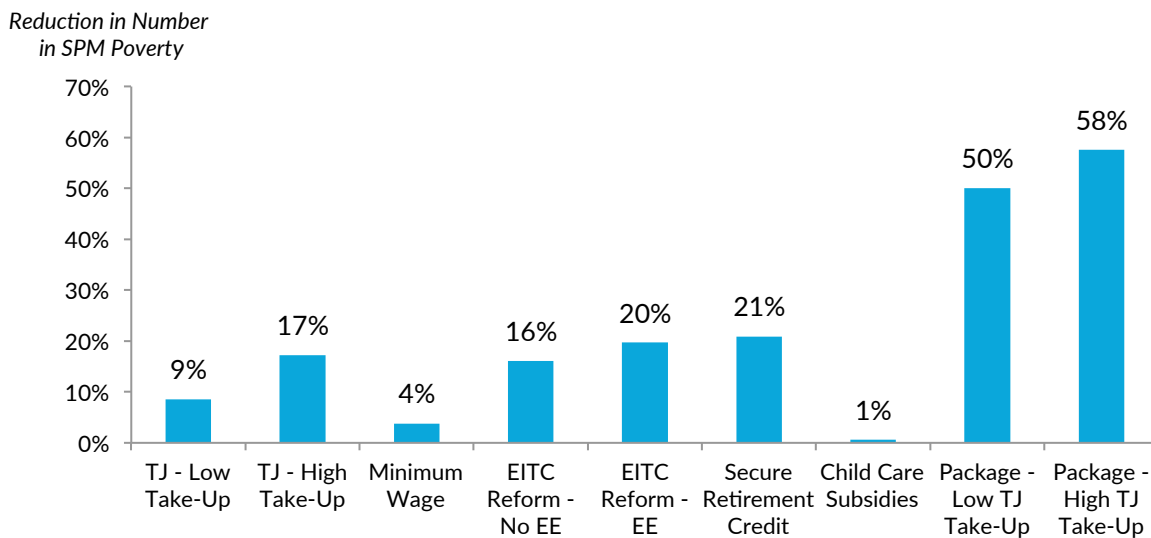
To model the combination of the policies, I combined the various policy elements into one simulation. This simulation was performed once for each of the two different levels of transitional jobs take-up (low, with a maximum of 25 percent, and high, with a maximum of 50 percent), with both assuming employment effects for the EITC and child care subsidies.

In the combined simulations, the policies were designed to interact with one another—for example, a person taking a transitional job would do so at the higher minimum wage, could claim a child care subsidy, and could use new earnings to claim the expanded EITC. When simulating employment effects for the EITC and child care subsidies, I assumed these effects were overlapping (that is, since some people who took a new job because of the EITC would also have taken a new job as a result of expanded child care, the total number of new jobs awarded was less than the sum of the two individual employment effects). I also assumed that individuals who lost a job because of the minimum wage increase would not be simulated to take up a transitional job, meaning that the job loss reflected impacts net of other policies.

Results

The simulations of the policies standing alone indicate a range of impacts on the number of people in SPM poverty, as shown in figure 2. The reduction in SPM poverty is relatively low (1 to 4 percent) for the expanded child care subsidies and minimum wage policies alone; higher (9 percent) for transitional jobs with low take-up; and higher still (16 to 21 percent) for the EITC reform, transitional jobs with high take-up, and the Secure Retirement and Disability Tax Credit. The impact of the combination of policies—that is, the entire policy package—is substantially stronger than that of the individual policies, reducing poverty by half (50 percent) under the low take-up assumption for transitional jobs and more than half (58 percent) under the high take-up assumption for transitional jobs. In particular, the 58 percent reduction in poverty for the combined package with high transitional job (TJ) take-up closely matches the 58 percent reduction in poverty observed in the Wisconsin report for an equivalent take-up assumption.

FIGURE 2
Effects of Community Advocates Policies on Number of People in Poverty



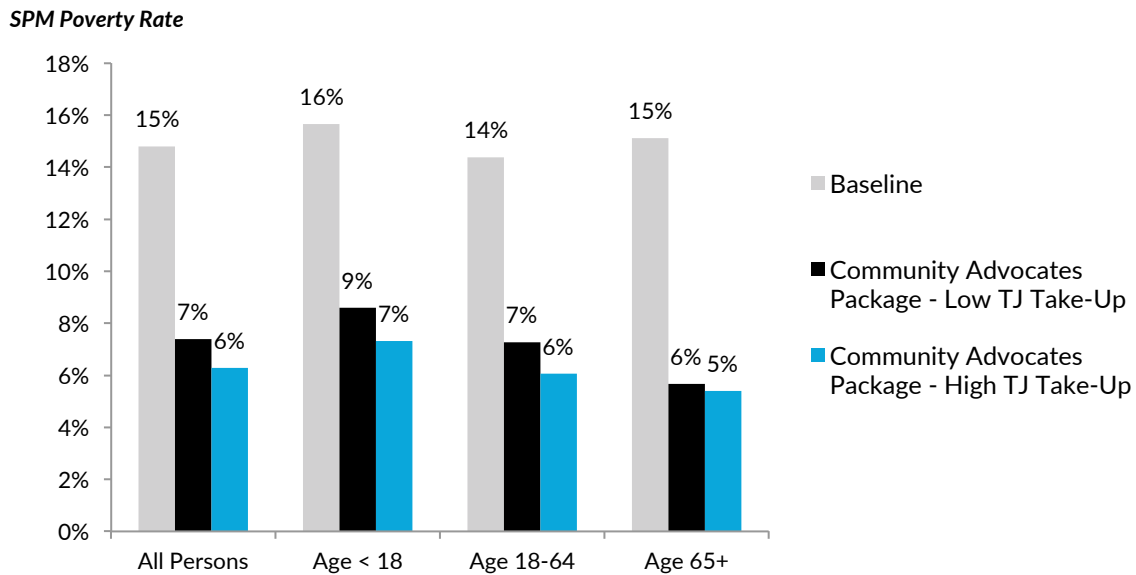
Source: TRIM3 microsimulation model.

Notes: TJ refers to transitional jobs. “Low” and “high” TJ take-up rates are a maximum of 25 percent and 50 percent, respectively. EE refers to employment effects assumptions for EITC policy.

Detailed results for all simulations are shown in appendix B; the remainder of this report focuses on the impacts of the policy package as a whole. Figure 3 summarizes the simulation results for the

combined policy package by age. For all people, the SPM poverty rate falls from 14.8 percent to 7.4 percent for low TJ take-up (a 50 percent reduction), and to 6.3 percent for high TJ take-up (a 58 percent reduction). The antipoverty impacts are strongest among the elderly, but are considerable for all age groups (over a 45 percent reduction for low TJ take-up, and more than a 53 percent reduction for high TJ take-up).

FIGURE 3
Effects of Community Advocates Policies on Poverty, for All Persons and by Age



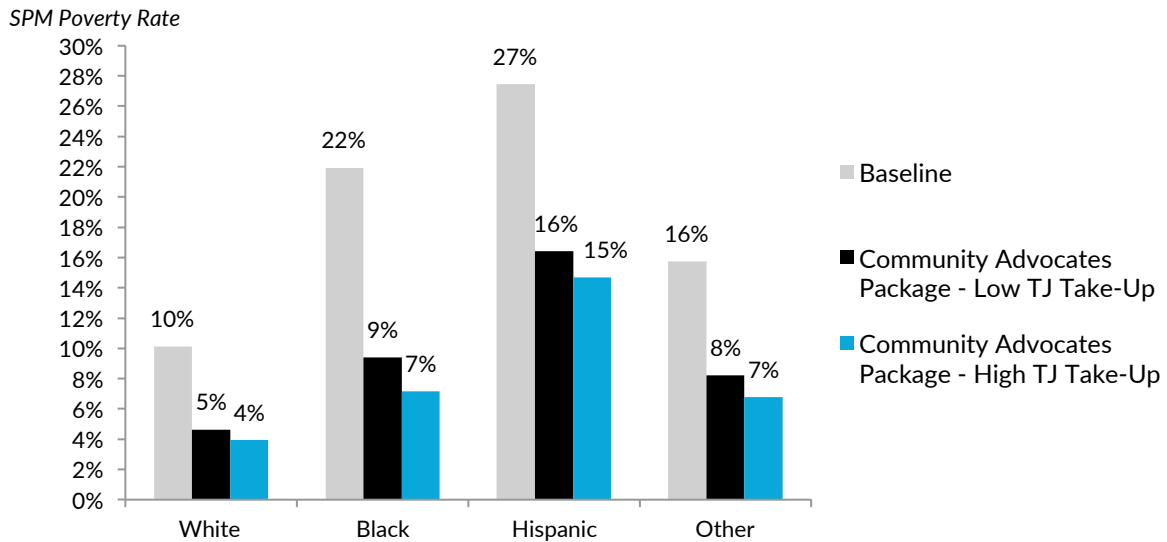
Source: TRIM3 microsimulation model.

Notes: TJ refers to transitional jobs. “Low” and “high” TJ take-up rates are a maximum of 25 percent and 50 percent, respectively.

Figure 4 illustrates the effects of the policy package by race and ethnicity. Poverty is strongly reduced for all racial groups, with a 54 percent reduction for white individuals and a 57 percent reduction for black individuals. Hispanic people are the group with the least significant impacts, seeing only a 40 percent reduction in poverty; however, Hispanics still move from a 27.5 percent SPM poverty rate in the baseline to a 16.4 or 14.7 percent rate under the Community Advocates policies. The lower impact for this group likely occurs because a greater proportion are estimated to not have valid Social Security numbers because of their immigration status, and so are ineligible for the expanded EITC or transitional jobs.

FIGURE 4

Effects of Community Advocates Policies on Poverty by Race and Ethnicity



Source: TRIM3 microsimulation model.

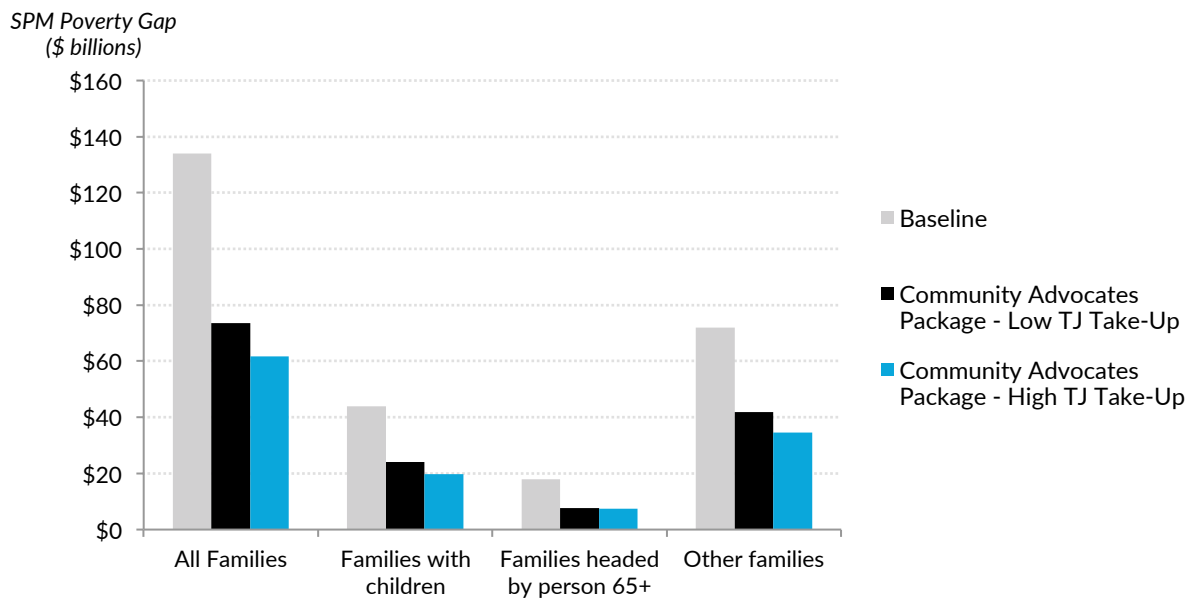
Notes: TJ refers to transitional jobs. “Low” and “high” TJ take-up rates are a maximum of 25 percent and 50 percent, respectively.

Groups other than Hispanic include only non-Hispanic individuals.

Another way to measure the antipoverty impact of policies is through computation of the “poverty gap,” the amount of income that would be needed to bring all poor families up to their poverty thresholds. Figure 5 displays the poverty gap under the policy package for various family compositions. The poverty gap falls from \$134.0 billion to \$73.6 billion (a 45 percent reduction) with low TJ take-up, and to \$61.6 billion (a 54 percent reduction) with high TJ take-up. These reductions are strongest proportionally for families headed by elderly people, and lowest for families without children or elderly heads, but all groups see reductions of more than 40 percent in the poverty gap.

FIGURE 5

Effects of Community Advocates Policies on the Poverty Gap



Source: TRIM3 microsimulation model.

Notes: TJ refers to transitional jobs. “Low” and “high” TJ take-up rates are a maximum of 25 percent and 50 percent, respectively.

The net cost of the policy package is \$332 billion assuming low TJ take-up, and \$399 billion assuming high TJ take-up. This net cost includes only changes in benefits provided through tax and transfer programs accruing to federal and state governments, and reflects both increases and decreases in spending and tax revenue; it does not include administrative costs associated with new programs (such as the transitional jobs program), or effects of the policies on other aspects of the economy (such as inflation and output). The cost also does not include the policies’ effects on crime, health, education, or marriage rates, which could have offsetting effects if the policies were implemented (for example, if more stable employment were available to families, this could increase educational achievement for their children, which would improve the skill level and productivity of the workforce). Further, the simulations did not consider the effects of financing the policy package when computing outcomes; depending on whether the package was financed through increased taxes, reduced spending, or increased deficits, the antipoverty effects and net costs could differ from the simulated results.

Another way to measure the costs of the policies is in comparison to the poverty gap, which provides a rough estimate of what proportion of new expenditures are directly reducing poverty. Overall, 18.2 percent of the new costs from the policy package reduce the poverty gap (with low TJ take-up, versus 18.1 percent with high TJ take-up), a number comparable to existing antipoverty policies such as the EITC (as discussed in the Wisconsin report). The remaining costs either improve the well-being of families who were not in poverty in the baseline, or add to a family's resources after moving the family out of poverty. For example, a family that has resources \$1,000 below its poverty threshold but is assisted by a \$2,000 increase in the EITC would be counted with the first \$1,000 of EITC costs reducing the poverty gap; the remaining \$1,000 of EITC continues to benefit the family, but does not directly reduce poverty.

To put the relative antipoverty impacts of the policies in context, table 8 presents the distribution of the package's tax credits by adjusted gross income (AGI) as defined for tax purposes. Overall, 77 percent of EITC benefits and 100 percent of Secure Retirement and Disability Credit benefits go to tax filers with annual AGI below \$50,000.

TABLE 8

Distribution of Simulated Earned Income Tax Credit and Secure Retirement and Disability Credit

Adjusted gross income of credit recipients	Revised Earned Income Tax Credit		Secure Retirement and Disability Credit	
	Credit distributed (\$ millions)	Percent	Credit distributed (\$ millions)	Percent
Less than \$5,000	5,920	3%	96,907	93%
\$5,000-\$10,000	23,204	10%	4,104	4%
\$10,000-\$15,000	29,778	13%	1,816	2%
\$15,000-\$20,000	36,492	16%	851	1%
\$20,000-\$25,000	28,625	13%	386	0%
\$25,000-\$30,000	14,827	7%	165	0%
\$30,000-\$35,000	9,889	4%	43	0%
\$35,000-\$40,000	9,341	4%	24	0%
\$40,000-\$50,000	14,946	7%	13	0%
\$50,000-\$100,000	41,277	18%	0	0%
Over \$100,000	11,028	5%	0	0%
Total, all returns	225,325	100%	104,311	100%

Source: TRIM3 microsimulation model. Results are for policy package, assuming low take-up for transitional jobs.

To derive a similar measure for transitional jobs, it is less sensible to measure income in terms of AGI, as AGI is an income concept defined for tax units. I thus use the baseline SPM poverty status of

each worker (before taking a job) to evaluate the distribution of transitional jobs by income. As table 9 shows, 50 percent of transitional jobs go to workers in SPM poverty, and 79 percent go to those below 200 percent of the SPM poverty threshold.

TABLE 9

Distribution of Transitional Jobs by Baseline SPM Poverty Status of Workers

SPM poverty status of transitional job workers	Transitional jobs taken up	Percent
<50%	1,377,318	32%
50%<100%	750,673	18%
100%<150%	701,817	17%
150%<200%	533,978	13%
200%<300%	628,250	15%
300%+	254,446	6%
Total	4,246,482	100%

Source: TRIM3 microsimulation model. Results are for policy package, assuming low take-up for transitional jobs.

Overall, these results suggest that the major policies in the policy package predominantly benefit low-income individuals, as intended.

Conclusions

The policies proposed by Community Advocates have substantial antipoverty effects; the combined policy package reduces SPM poverty by 50 to 58 percent, depending on assumptions about the take-up of transitional jobs. These effects are notable because 2010 represents the depth of the Great Recession, when unemployment and poverty were elevated from their normal levels. Even in this environment, the policy package would have reduced the SPM poverty rate from 15 percent to 7 percent or lower.

The antipoverty effects of the policies are also broad-based, with black, white, and Hispanic families; children and the elderly; and different family types all seeing substantial benefits. This finding mirrors the effects seen in the Wisconsin report, which examined a similar antipoverty package and found antipoverty effects that were strong for all ages and races. It also suggests that effective antipoverty policies must consider their impact on different population groups—workers, nonworkers, the old, and the young—to achieve substantial poverty reductions.

Appendix A. Alignment of TRIM3 Results to Targets

To illustrate the accuracy of the TRIM3 baseline simulation results, table A, below, presents a comparison of the alignment of several key variables related to tax and transfer program participation relative to administrative targets. The table also includes the unadjusted results from the CPS-ASEC, to illustrate how TRIM3's modeling improves the representation of program participation in the data.

The TRIM3 results shown here are similar to this project's baseline simulation, but calculated before the elimination of the ARRA expansion and the Making Work Pay Credit (as discussed in the Methodology section), to better capture alignment of the data under the actual policies for which the administrative figures were calculated in 2010. Thus, the TRIM3 results presented here are slightly different from those shown in other tables in this report.

TABLE A

TRIM3-Simulated Benefit and Tax Data Compared to Targets, 2010

Counts of persons or units are in thousands; dollar amounts are in millions

	CPS-ASEC reported data ^a	TRIM3-simulated baseline	2010 administrative data ^b	TRIM3 as % of administrative
SSI (noninstitutionalized)^c				
Adults with SSI during year for self or child	5,562	--	--	--
Avg. monthly adult recipients (persons)	--	6,521	6,525	99.9%
Avg. monthly child recipients	--	1,276	1,238	103.1%
Annual benefits ^d	\$39,652	\$48,083	\$48,711	98.7%
TANF^e				
Avg. monthly caseload (families) ^f	1,187	1,880	1,892	99.3%
Annual benefits	\$5,379	\$8,768	\$8,964	97.8%
SNAP^g (includes ARRA expansion)				
Avg. monthly units (households) ^f	10,912	19,203	19,315	99.4%
Annual benefits	\$37,617	\$65,491	\$66,612	98.3%
Public and subsidized housing				
Ever-subsidized households ^h	5,152	4,895	4,804	101.9%
Annual value of subsidy	na	\$34,887	na	--
LIHEAPⁱ				
Assisted households	4,254	8,504	8,546	99.5%

	CPS-ASEC reported data ^a	TRIM3-simulated baseline	2010 administrative data ^b	TRIM3 as % of administrative
WIC				
Families with any benefits	3,652	4,679	na	--
Avg. monthly recipients, infants/children	na	6,937	6,988	99.3%
Avg. monthly recipients, women ⁱ	na	1,029	2,121	48.5%
Annual value of benefit, pre-rebate ^k	na	\$5,351	na	--
CCDF-funded child care subsidies				
Avg. monthly families with CCDF subsidy	na	989	988	100.2%
Avg. monthly children with CCDF subsidy	na	1,656	1,680	98.6%
Aggregate value of subsidy	na	\$6,738	\$7,421	90.8%
Payroll tax				
Workers subject to OASDI tax	na	146,585	156,725	93.5%
Taxes paid by workers (OASDI + HI)	na	\$457,569	\$449,881	101.7%
Federal income taxes (with Making Work Pay credit)				
Number of positive-tax returns	na	88,197	84,476	104.4%
Total tax liability, positive-tax returns	na	\$837,917	\$951,671	88.0%
Total tax liability, all returns	na	\$767,946	\$847,566	90.6%
Earned income tax credit				
Returns with credit	na	20,165	27,368	73.7%
Total credit	na	\$37,223	\$59,562	62.5%
State income taxes				
Number of positive-tax returns	na	84,094	na	--
Taxes paid, net of credits	na	\$236,337	\$235,994	100.1%

Source: Adapted from Giannarelli et al. (2015).

Notes: na = not available.

a. CPS-ASEC reported data included the data that are “allocated” by the Census Bureau in cases of nonresponse. Items not asked in the survey that are imputed by the Census Bureau (such as tax liabilities) are not shown.

b. Administrative figures are adjusted or combined for consistency with simulation concepts. In particular, fiscal year administrative data are adjusted for greater comparability with calendar year simulated data, and benefits paid to individuals in the territories are excluded. Benefits include both federally funded and state-funded amounts.

c. SSI figures include state supplements.

d. Administrative data for SSI include retroactive payments, which are approximately 9 percent of total payments; TRIM does not simulate retroactive payments.

e. Includes benefits funded by federal TANF money and separate state programs, but not solely-state-funded programs. The administrative figure for aggregate benefits is computed as the average per-unit benefit from administrative microdata applied to the actual caseload.

f. For TANF and SNAP, an average monthly caseload is computed using the CPS-reported number of months that benefits are received.

g. The administrative figures for SNAP exclude SNAP disaster assistance.

h. Administrative figure is the number of occupied public and assisted units.

i. An exact unduplicated number of assisted households is not available; an unduplicated count is estimated using estimates of the overlap between groups receiving heating, cooling, and crisis benefits.

j. Benefits to pregnant women are not captured in the TRIM simulation.

k. The TRIM benefit amount includes the pre-rebate value of infant formula. An administrative figure for WIC food costs net of the rebate was not available.

Appendix B. Detailed Simulation Results

The tables on the following pages display detailed simulation results for each policy.

TABLE B1

Summary: Changes in SPM Poverty and Government Spending in the United States, under Baseline Rules and Community Advocates Policies

	Alternative Simulations					
	Baseline	Transitional Jobs		Minimum wage increase	EITC Reform	
		Low TJ take-up	High TJ take-up		Standard	Emp. effects
SPM poverty rate						
Overall SPM poverty rate	14.8%	13.5%	12.2%	14.2%	12.4%	11.9%
<i>Change in SPM poverty</i>						
Number of people poor (thousands)		-3,882	-7,781	-1,726	-7,280	-8,905
Percentage-point change		-1.3	-2.5	-0.6	-2.4	-2.9
Percentage change		-8.6%	-17.2%	-3.8%	-16.1%	-19.7%
SPM poverty gap						
Amount of gap (\$ millions)	\$134,025	\$118,546	\$104,044	\$129,674	\$116,207	\$110,297
<i>Change in poverty gap</i>						
Absolute change (\$ millions)		-\$15,479	-\$29,981	-\$4,351	-\$17,818	-\$23,728
Percentage change		-11.5%	-22.4%	-3.2%	-13.3%	-17.7%
Total change in govt. spending (\$ millions)						
		\$44,431	\$90,971	-\$15,663	\$180,038	\$182,481
Change in poverty gap as percent of change in new spending						
		34.8%	33.0%	na	9.9%	13.0%

Source: TRIM3 microsimulation model.

Notes: "na" is not applicable; "Emp. effects" are employment effects. "Low" and "high" TJ take-up are take-up rates at a maximum of 25 percent and 50 percent for transitional jobs, respectively.

TABLE B1, CONTINUED

Summary: Changes in SPM Poverty and Government Spending in the United States, under Baseline Rules and Community Advocates Policies

	Alternative Simulations				
	Baseline	Secure Retirement & Disability Tax Credit	Child care subsidies	Combined Policies	
				Low TJ take-up	High TJ take-up
SPM poverty rate					
Overall SPM poverty rate	14.8%	11.7%	14.7%	7.4%	6.3%
<i>Change in SPM poverty</i>					
Number of people poor (thousands)		-9,464	-269	-22,639	-26,043
Percentage-point change		-3.1	-0.1	-7.4	-8.5
Percentage change		-20.9%	-0.6%	-50.0%	-57.5%
SPM poverty gap					
Amount of gap (\$ millions)	\$134,025	\$112,755	\$133,376	\$73,676	\$61,615
<i>Change in poverty gap</i>					
Absolute change (\$ millions)		-\$21,270	-\$649	-\$60,349	-\$72,410
Percentage change		-15.9%	-0.5%	-45.0%	-54.0%
Total change in govt. spending (\$ millions)					
		\$108,094	\$4,347	\$332,339	\$399,401
Change in poverty gap as percent of change in new spending					
		19.7%	14.9%	18.2%	18.1%

TABLE B2

SPM Poverty in the United States, under Baseline Rules and Community Advocates Policies

Poverty rates by characteristics

Poverty rate, SPM definition	Alternative Simulations					
	Baseline	Transitional Jobs		Minimum wage increase	EITC Reform	
		Low TJ take-up	High TJ take-up		Standard	Emp. effects
All persons < 100% SPM poverty	14.8%	13.5%	12.2%	14.2%	12.4%	11.9%
<50% SPM poverty	4.0%	3.4%	2.9%	3.9%	3.6%	3.4%
50 < 100% SPM poverty	10.7%	10.1%	9.4%	10.3%	8.8%	8.5%
100 < 150% SPM poverty	18.0%	18.3%	18.6%	18.0%	16.2%	16.2%
Age						
Persons < 18	15.6%	14.0%	12.5%	15.1%	13.1%	12.3%
Persons 18–64	14.4%	13.1%	11.7%	13.7%	11.7%	11.2%
Persons 65+	15.1%	14.7%	14.2%	15.0%	14.6%	14.4%
Race/Ethnicity						
White, non-Hispanic	10.1%	9.3%	8.4%	9.8%	8.3%	8.1%
Black, non-Hispanic	21.9%	19.8%	17.2%	21.4%	18.7%	17.1%
Hispanic	27.5%	25.5%	23.5%	25.8%	23.4%	22.5%
Other, non-Hispanic	15.8%	14.1%	12.4%	15.2%	13.2%	12.8%
Gender						
Male	14.3%	13.0%	11.8%	13.7%	11.8%	11.3%
Female	15.3%	14.0%	12.7%	14.8%	13.0%	12.4%

Source: TRIM3 microsimulation model.

Notes: “Emp. effects” are employment effects. “Low” and “high” TJ take-up are take-up rates at a maximum of 25 percent and 50 percent for transitional jobs, respectively.

TABLE B2, CONTINUED

SPM Poverty in the United States, under Baseline Rules and Community Advocates Policies

Poverty rates by characteristics

Poverty rate, SPM definition	Baseline	Alternative Simulations			
		Secure Retirement & Disability Tax Credit	Child care subsidies	Combined Policies	
				Low TJ take-up	High TJ take-up
All persons < 100% SPM poverty	14.8%	11.7%	14.7%	7.4%	6.3%
<50% SPM poverty	4.0%	3.6%	4.0%	2.3%	1.9%
50 < 100% SPM poverty	10.7%	8.1%	10.7%	5.1%	4.4%
100 < 150% SPM poverty	18.0%	17.3%	18.1%	14.5%	13.8%
Age					
Persons < 18	15.6%	13.7%	15.4%	8.6%	7.3%
Persons 18–64	14.4%	12.0%	14.3%	7.3%	6.1%
Persons 65+	15.1%	6.5%	15.1%	5.7%	5.4%
Race/Ethnicity					
White, non-Hispanic	10.1%	7.5%	10.1%	4.6%	3.9%
Black, non-Hispanic	21.9%	16.2%	21.9%	9.4%	7.2%
Hispanic	27.5%	24.2%	27.2%	16.4%	14.7%
Other, non-Hispanic	15.8%	13.0%	15.7%	8.2%	6.8%
Gender					
Male	14.3%	11.6%	14.1%	7.3%	6.2%
Female	15.3%	11.8%	15.2%	7.5%	6.4%

TABLE B3

SPM Poverty in the United States, under Baseline Rules and Community Advocates Policies

Changes in number in SPM poverty and poverty gap

Change in...	Alternative Simulations					
	Baseline	Transitional Jobs		Minimum wage increase	EITC Reform	
		Low TJ take-up	High TJ take-up		Standard	Emp. effects
Number in SPM poverty (thousands)						
All persons < 100% SPM poverty	45,262	-3,882	-7,781	-1,726	-7,280	-8,905
<50% SPM poverty	12,386	-1,940	-3,588	-372	-1,477	-2,096
50 < 100% SPM poverty	32,876	-1,943	-4,193	-1,354	-5,804	-6,808
100 < 150% SPM poverty	55,164	872	1,791	-176	-5,628	-5,520
Age						
Persons < 18	11,720	-1,217	-2,361	-436	-1,901	-2,472
Persons 18–64	27,618	-2,504	-5,058	-1,249	-5,183	-6,156
Persons 65+	5,924	-161	-361	-40	-196	-277
Race/Ethnicity						
White, non-Hispanic	19,989	-1,715	-3,316	-575	-3,507	-4,024
Black, non-Hispanic	8,154	-801	-1,749	-216	-1,217	-1,796
Hispanic	13,722	-1,003	-1,992	-809	-2,005	-2,455
Other, non-Hispanic	3,398	-363	-724	-126	-552	-630
Gender						
Male	21,467	-1,819	-3,725	-887	-3,659	-4,400
Female	23,794	-2,062	-4,056	-839	-3,621	-4,505
Poverty gap (SPM, \$ millions)						
Families with children	\$44,026	-\$6,051	-\$11,758	-\$1,965	-\$6,919	-\$9,247
Families headed by person 65+	\$17,958	-\$607	-\$1,342	-\$109	-\$390	-\$799
Other families	\$72,042	-\$8,822	-\$16,882	-\$2,278	-\$10,509	-\$13,682
Total	\$134,025	-\$15,479	-\$29,981	-\$4,351	-\$17,818	-\$23,728

Source: TRIM3 microsimulation model.

Notes: "Emp. effects" are employment effects. "Low" and "high" TJ take-up are take-up rates at a maximum of 25 percent and 50 percent for transitional jobs, respectively.

TABLE B3, CONTINUED

SPM Poverty in the United States, under Baseline Rules and Community Advocates Policies

Number in SPM poverty and poverty gap

Change in...	Baseline	Alternative Simulations			
		Secure Retirement & Disability Tax Credit	Child care subsidies	Combined Policies	
				Low TJ take-up	High TJ take-up
Number in SPM poverty (thousands)					
All Persons < 100% SPM poverty	45,262	-9,464	-269	-22,639	-26,043
<50% SPM poverty	12,386	-1,396	-81	-5,357	-6,640
50 < 100% SPM poverty	32,876	-8,068	-188	-17,283	-19,403
100 < 150% SPM poverty	55,164	-2,073	140	-10,759	-12,875
Age					
Persons < 18	11,720	-1,457	-174	-5,287	-6,234
Persons 18–64	27,618	-4,628	-89	-13,645	-15,997
Persons 65+	5,924	-3,379	-6	-3,707	-3,812
Race/Ethnicity					
White, non-Hispanic	19,989	-5,087	-97	-10,836	-12,228
Black, non-Hispanic	8,154	-2,145	-28	-4,661	-5,487
Hispanic	13,722	-1,626	-134	-5,515	-6,390
Other, non-Hispanic	3,398	-605	-10	-1,627	-1,938
Gender					
Male	21,467	-3,993	-152	-10,487	-12,166
Female	23,794	-5,470	-117	-12,152	-13,877
Poverty gap (SPM, \$ millions)					
Families with children	\$44,026	-\$4,569	-\$650	-\$19,934	-\$24,205
Families headed by person 65+	\$17,958	-\$9,364		-\$10,226	-\$10,629
Other families	\$72,042	-\$7,338		-\$30,190	-\$37,577
Total	\$134,025	-\$21,270	-\$649	-\$60,349	-\$72,410

TABLE B4

Benefits and Taxes in the United States, under Baseline Rules and Community Advocates Policies

Changes in benefit program caseloads and costs

Change in benefit programs	Baseline	Alternative Simulations			
		Transitional Jobs		Minimum wage increase	EITC Reform
		Low TJ take-up	High TJ take-up		Emp. effects
Unemployment compensation (UC)					
People with any UC during the year (thou.)	766	-13	-34	14	-5
Aggregate annual benefits (\$ millions)	\$6,172	-\$71	-\$187	\$63	-\$30
Supplemental Security Income					
Adult units receiving SSI (avg. month, thou.)	6,212	-5	-11	-21	0
Children receiving SSI (avg. month, thou.)	1,276	-4	-7	-3	
Aggregate annual benefits (\$ millions)	\$48,083	-\$77	-\$142	-\$207	-\$48
TANF benefits					
Families receiving benefits (avg. mo., thou.)	1,880	-77	-158	-34	-71
Aggregate annual benefits (\$ millions)	\$8,768	-\$639	-\$1,350	-\$130	-\$536
Child care subsidies					
Families with subsidies (avg. month, thou.)	989	97	214	-19	104
Aggregate annual value of subsidy (\$ mil.)	\$6,738	\$700	\$1,577	-\$154	\$996
All child care expenses					
Working families with children <=14 (thou.)	20,894	974	2,090	-38	495
Percent with positive expenses (avg. mo.)	32.3%	0	0	0	0
Avg. non-\$0 expense (w/ or w/o subsidies)	\$450	-\$8	-\$17		-\$6
Public and subsidized housing					
Households w/ subsidy during year (thou.)	4,895	-7	-16	-11	-15
Aggregate rent subsidies (\$ millions)	\$34,887	-\$1,114	-\$2,188	-\$306	-\$553
SNAP benefits					
Units receiving benefits (avg. month, thou.)	18,321	-946	-1,927	-314	-468
Aggregate annual benefits (\$ millions)	\$53,066	-\$4,206	-\$8,325	-\$1,363	-\$1,935
LIHEAP benefits					
Households with benefits (thou.)	8,458	-173	-372	-139	-52
Aggregate annual benefits (\$ millions)	\$4,620	-\$92	-\$203	-\$66	-\$28
WIC benefits					
People with benefits (avg. month, thou.)	7,961	-31	-77	-39	-8
Aggregate annual benefits (\$ millions)	\$5,347	-\$20	-\$49	-\$27	-\$5

Source: TRIM3 microsimulation model.

Notes: "Emp. effects" are employment effects. "Low" and "high" TJ take-up are take-up rates at a maximum of 25 percent and 50 percent for transitional jobs, respectively. The EITC reform with no employment effects has no impact on benefit programs.

TABLE B4, CONTINUED

Benefits and Taxes in the United States, under Baseline Rules and Community Advocates Policies

Changes in benefit program caseloads and costs

Change in benefit programs	Baseline	Alternative Simulations		
		Secure Retirement & Disability Tax Credit	Child care subsidies	Combined Policies Low TJ take-up High TJ take-up
Unemployment compensation (UC)				
People with any UC during the year (thou.)	766			-12 -38
Aggregate annual benefits (\$ millions)	\$6,172			-\$153 -\$349
Supplemental Security Income				
Adult units receiving SSI (avg. month, thou.)	6,212			-37 -45
Children receiving SSI (avg. month, thou.)	1,276			-7 -10
Aggregate annual benefits (\$ millions)	\$48,083			-\$434 -\$555
TANF benefits				
Families receiving benefits (avg. mo., thou.)	1,880		-23	-236 -338
Aggregate annual benefits (\$ millions)	\$8,768		-\$177	-\$1,481 -\$2,176
Child care subsidies				
Families with subsidies (avg. month, thou.)	989		712	872 1,042
Aggregate annual value of subsidy (\$ mil.)	\$6,738		\$4,895	\$6,153 \$7,471
All child care expenses				
Working families with children <=14 (thou.)	20,894		98	1,392 2,432
Percent with positive expenses (avg. mo.)	32.3%		0	0 0
Avg. non-\$0 expense (w/ or w/o subsidies)	\$450		-\$10	-\$18 -\$26
Public and subsidized housing				
Households w/ subsidy during year (thou.)	4,895		-1	-43 -60
Aggregate rent subsidies (\$ millions)	\$34,887		-\$129	-\$2,387 -\$3,610
SNAP benefits				
Units receiving benefits (avg. month, thou.)	18,321		-28	-1,914 -3,001
Aggregate annual benefits (\$ millions)	\$53,066		-\$336	-\$8,216 -\$12,526
LIHEAP benefits				
Households with benefits (thou.)	8,458		-3	-491 -755
Aggregate annual benefits (\$ millions)	\$4,620		-\$1	-\$264 -\$415
WIC benefits				
People with benefits (avg. month, thou.)	7,961		0	-82 -129
Aggregate annual benefits (\$ millions)	\$5,347		\$0	-\$55 -\$84

TABLE B5

Benefits and Taxes in the United States, under Baseline Rules and Community Advocates Policies

Changes in tax liabilities and total costs

Change in tax liabilities	Alternative Simulations					
	Baseline	Transitional Jobs		Minimum wage increase	EITC Reform	
		Low TJ take-up	High TJ take-up		Standard	Emp. effects
Payroll taxes (OASDHI)						
Wage/salary workers paying tax (thou.)	144,301	4,042	8,320	-203		1,721
Taxes paid (worker & employer, \$ mil.)	\$824,476	\$8,476	\$17,424	\$6,554		\$3,316
Federal income taxes						
<i>Numbers of returns (thou.)</i>						
Positive tax	94,680	2,073	4,321	1,186	-18,624	-18,625
Negative tax	21,655	684	1,270	-599	22,621	24,314
<i>Amount of tax liability (\$ millions)</i>	\$825,800	-\$724	-\$842	\$5,536	-\$171,564	-\$179,327
On positive tax returns	\$880,041	\$1,948	\$4,211	\$4,705	-\$52,782	-\$52,564
Negative tax returns	-\$54,241	-\$2,672	-\$5,053	\$831	-\$118,782	-\$126,763
<i>Federal earned income tax credit</i>						
Units with credit (thou.)	20,165	664	1,221	-665	37,987	39,702
Amount of credit (\$ millions)	\$37,233	\$2,051	\$3,881	-\$768	\$171,581	\$179,539
<i>Secure Retirement and Disability Credit</i>						
Units with credit (thou.)	0					
Amount of credit (\$ millions)	\$0					
State income taxes						
<i>Numbers of returns (thou.)</i>						
Positive tax	84,092	1,715	3,655	702	-4,045	-3,444
Negative tax	6,407	99	125	-197	4,288	4,645
<i>Amount of tax liability (\$ millions)</i>	\$236,303	\$671	\$1,454	\$1,383	-\$8,474	-\$8,608
On positive tax returns	\$238,110	\$820	\$1,732	\$1,323	-\$5,186	-\$5,027
Negative tax returns	-\$1,807	-\$149	-\$278	\$60	-\$3,288	-\$3,581
Spending and tax summary (\$ mil.)						
Total benefits paid: UC, SSI, TANF, child care, housing subsidies, SNAP, LIHEAP, WIC	\$167,681	-\$5,519	-\$10,867	-\$2,190	\$0	-\$2,139
Total wages paid in TJ program	\$0	\$58,373	\$119,874	\$0	\$0	\$0
Total tax liability: payroll, federal, state	\$1,886,579	\$8,423	\$18,036	\$13,473	-\$180,038	-\$184,619
Total change in government spending		\$44,431	\$90,971	-\$15,663	\$180,038	\$182,481

Source: TRIM3 microsimulation model.

Notes: "Emp. effects" are employment effects. "Low" and "high" TJ take-up are take-up rates at a maximum of 25 percent and 50 percent for transitional jobs, respectively. Wages paid in TJ program include employer payroll taxes.

TABLE B5, CONTINUED

Benefits and Taxes in the United States, under Baseline Rules and Community Advocates Policies

Changes in tax liabilities and total costs

Change in tax liabilities	Alternative Simulations				
	Baseline	Secure Retirement & Disability Tax Credit	Child care subsidies	Combined Policies	
				Low TJ take-up	High TJ take-up
Payroll taxes (OASDHI)					
Wage/salary workers paying tax (thou.)	144,301		99	5,369	9,388
Taxes paid (worker & employer, \$ mil.)	\$824,476		\$204	\$21,588	\$32,498
Federal income taxes					
<i>Numbers of returns (thou.)</i>					
Positive tax	94,680	-56	5	-17,436	-17,228
Negative tax	21,655	14,703	74	40,339	42,561
<i>Amount of tax liability (\$ millions)</i>	\$825,800	-\$108,103	-\$355	-\$284,276	-\$293,359
On positive tax returns	\$880,041	\$103	\$22	-\$48,665	-\$48,470
Negative tax returns	-\$54,241	-\$108,206	-\$377	-\$235,611	-\$244,889
<i>Federal earned income tax credit</i>					
Units with credit (thou.)	20,165	-2	69	41,940	44,502
Amount of credit (\$ millions)	\$37,233	-\$4	\$265	\$188,092	\$202,721
<i>Secure Retirement and Disability Credit</i>					
Units with credit (thou.)	0	15,765		15,478	15,307
Amount of credit (\$ millions)	\$0	\$108,229		\$104,311	\$101,797
State income taxes					
<i>Numbers of returns (thou.)</i>					
Positive tax	84,092	2	13	-831	813
Negative tax	6,407	7	-26	4,413	4,705
<i>Amount of tax liability (\$ millions)</i>	\$236,303	\$9	\$55	-\$6,314	-\$5,810
On positive tax returns	\$238,110	\$10	\$4	-\$2,740	-\$1,854
Negative tax returns	-\$1,807	-\$1	\$51	-\$3,574	-\$3,956
Spending and tax summary (\$ mil.)					
Total benefits paid: UC, SSI, TANF, child care, housing subsidies, SNAP, LIHEAP, WIC	\$167,681	\$0	\$4,251	-\$6,838	-\$12,243
Total wages paid in TJ program	\$0	\$0	\$0	\$70,175	\$144,973
Total tax liability: payroll, federal, state	\$1,886,579	-\$108,094	-\$96	-\$269,002	-\$266,671
Total change in government spending		\$108,094	\$4,347	\$332,339	\$399,401

TABLE B6

Employment in the United States, under Baseline Rules and Community Advocates Policies

	Alternative Simulations					
	Baseline	Transitional Jobs		Minimum wage increase	EITC Reform	
		Low TJ take-up	High TJ take-up		Standard	Emp. effects
Number of people employed (thou.)	153,467	157,444	161,659	153,264	153,467	155,188
Changes from baseline						
<i>People with increased earnings (working in baseline)</i>						
Number of people		519,834	1,079,260	27,689,607		
Aggregate earnings (\$ millions)		\$5,546	\$11,060	\$46,629		
Average annual increase		\$10,669	\$10,248	\$1,684		
<i>People with new jobs (no work in baseline)</i>						
Number of people		3,976,810	8,192,060			1,721,250
Aggregate earnings (\$ millions)		\$48,589	\$100,102			\$20,744
Average annual increase		\$12,218	\$12,219			\$12,052
<i>People who lose jobs</i>						
Number of people				202,387		
Aggregate earnings (\$ millions)				-\$1,471		
Average annual increase				-\$7,268		
<i>Total change</i>						
People with any change		4,496,644	9,271,320	27,891,994		1,721,250
Aggregate earnings (\$ millions)		\$54,135	\$111,162	\$45,158		\$20,744

Source: TRIM3 microsimulation model.

Notes: "Emp. effects" are employment effects. "Low" and "high" TJ take-up are take-up rates at a maximum of 25 percent and 50 percent for transitional jobs, respectively.

TABLE B6, CONTINUED

Employment in the United States, under Baseline Rules and Community Advocates Policies

	Alternative Simulations				
	Baseline	Secure Retirement & Disability Tax Credit	Child care subsidies	Combined Policies	
				Low TJ take-up	High TJ take-up
Number of people employed (thou.)	153,467	153,467	153,566	158,771	162,727
Changes from baseline					
<i>People with increased earnings (working in baseline)</i>					
Number of people				29,319,807	29,319,807
Aggregate earnings (\$ millions)				\$56,107	\$63,669
Average annual increase				\$1,914	\$2,172
<i>People with new jobs (no work in baseline)</i>					
Number of people			99,371	5,512,220	9,468,580
Aggregate earnings (\$ millions)			\$1,292	\$85,596	\$147,363
Average annual increase			\$13,000	\$15,528	\$15,563
<i>People who lose jobs</i>					
Number of people				208,428	208,428
Aggregate earnings (\$ millions)				-\$1,535	-\$1,535
Average annual increase				-\$7,365	-\$7,365
<i>Total change</i>					
People with any change			99,371	35,040,455	38,996,815
Aggregate earnings (\$ millions)			\$1,292	\$140,168	\$209,497

TABLE B7

SPM Poverty Rates in Selected States, under Baseline Rules and Community Advocates Policy Package

Poverty rate, SPM definition	Baseline	Combined Policies	
		Low TJ take-up	High TJ take-up
State			
California	22%	13%	11%
Florida	20%	9%	8%
New York	15%	7%	5%
Texas	17%	9%	8%

Source: TRIM3 microsimulation model.

Notes: “Low” and “high” TJ take-up are take-up rates at a maximum of 25 percent and 50 percent for transitional jobs, respectively.

Notes

1. In particular, this project uses the same technical adjustments to the standard 2010 ASPE baselines that were used for the report by Giannarelli and colleagues (2015). These adjustments include an assumption that people simulated to be unauthorized immigrants would not be eligible to claim the EITC.
2. The greatest discrepancies in appendix A are for the number of women receiving Women, Infants, and Children (WIC) benefits, where alignment in TRIM3 is limited because the CPS does not have information to identify pregnant women, and for the EITC, where CPS-based models consistently find fewer households eligible for the credit than actually claim it. (See Wheaton 2008 for more discussion of this issue.)
3. Unauthorized immigrants are not identified in the CPS, but immigration status is imputed during TRIM3's baseline simulations, as detailed in Giannarelli et al. (2015).
4. While many of the policies proposed in this report would involve indexation to inflation in future years, this element of the policies was not modeled, as this project looked at the package effects in one year only.
5. The exception to this change is that rules related to investment income limits would still disqualify both spouses from receiving the EITC if the couple jointly had over \$3,100 in investment income. TRIM3 does not simulate the rules stipulating that individuals cannot receive the EITC if they receive foreign earned income or lived outside of the US, but the policy assumes that these rules would disqualify spouses individually.
6. With this rules change, individuals aged 70 and over with qualifying children would no longer be eligible for the EITC (but would instead be eligible for the Secure Retirement and Disability Credit in most cases). This affects relatively few households; there are 136,884 individuals over age 69 claiming the EITC in this project's 2010 baseline.
7. The method used to calculate employment effects in this report differs from that used by Giannarelli and colleagues (2015), as that research limited employment changes to single family heads with children, whereas the EITC policy in this report would also provide an incentive for childless individuals to work. I therefore used a tax-based definition of individuals to select the universe for the employment effects, to provide consistency with the selection of individuals for the EITC. I included individuals who were heads of tax units, not married, not dependents, and who met the age requirements for the credit in the universe to potentially receive jobs. I then counted these individuals as having children or being childless based on whether the individual claimed dependents, and selected 1.8 percent of the childless group and 3.6 percent of the group with children to take jobs (with the selection done randomly among individuals who would be eligible for the expanded EITC).
8. Specifically, I assumed that 9 percent of new workers would work for 50 hours a week, 47 percent for 40 hours, 19 percent for 30 hours, 18 percent for 20 hours, and 8 percent for 10 hours. This approach follows the assumptions in Giannarelli et al. (2015).
9. Taxable Social Security is subtracted from Social Security in this calculation, to avoid double counting taxable Social Security benefits. When computing unit incomes, I used Social Security and AGI amounts for the tax unit (excluding dependents' incomes, following existing tax rules), but included SNAP and SSI benefits received by dependents. The Poverty Guidelines used would be those for the 48 contiguous United States, as updated annually by the Department of Health and Human Services.

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