

Modeling Potential Income and Welfare-Assistance Benefits in Illinois:

Single Parent with Two Children Household and Two Parents with Two Children Household Scenarios in Cook County, City of Chicago, Lake County and St. Clair County



By Erik Randolph, Senior Fellow

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■ Introduction

This report presents results from modeling income and welfare-assistance benefits of two typical households or families in three Illinois counties: Cook, Lake and St. Clair. The city of Chicago is also modelled. For this report, the terms “household” and “family” are used interchangeably and “welfare-assistance benefits” refer to subsidies or the value of benefits provided to recipients from welfare programs administered by government. The welfare-assistance programs examined represent a range of potential benefits that a family may receive. The modeling enables us to gain a better understanding of the economic incentives that a family faces over a potential range of earned income. The basic scenarios examined for this report are a single-parent household with two children, ages 10 and 2 and a two-parent household with two children the same age. It is assumed that no one in the family has a disability.

The purpose of economic modeling is to extract and highlight operative principles that influence behavior. This model is truly economic in the original sense of the word. The earliest usage of the words “economy” and “economic” as found in the Oxford English Dictionary is in reference to managing a household. The modeling here looks specifically at a household from the perspective of how welfare-assistance benefits can potentially alter economic incentives.

This model is highly computational. In order to create this model, it was necessary to reduce complex rules of taxation and eligibility for welfare-assistance benefits into generalized formulae. From these formulae, scenarios were generated for different household types. In making this model, or any model for that matter, it is necessary to make a number of assumptions. Not all assumptions will be true for all families, as individual

circumstances vary in the real world. Models, therefore, are not case studies and are not intended to highlight any specific family's experience. In other words, although the model may illustrate a typical experience, as with averages in statistics, not all families will necessarily have the same experience. Nevertheless, models provide valuable insight into operative principles that influence behavior and can be modified and improved over time. Detailed information is provided on the model for the purpose of inviting peer review, that is, so suggestions can be offered for improvement.

Ultimately, the results of this model shed light on embedded disincentives within the welfare system or inequities among households on how they are treated in regard to receiving subsidies. These results then can be integrated into a more detailed analysis to help guide policymakers to improve public policy, or more specifically, reform welfare-assistance programs.

This report presents the results both graphically in [Appendix A](#) and in tables in [Appendix B](#). The other appendices provide technical information on the model itself: [Appendix C](#) reviews eligibility rules, responsibilities and sources; [Appendix D](#) provides look-up values and tables; and [Appendix E](#) summarizes the sequence of algorithms used in the model.

■ Overview of Model

Mathematically Based Model

The model is a mathematical model where input values can be modified and the results can be displayed numerically and graphically, and the model is illustrative. In order to create this model, tax rules and eligibility rules for welfare-assistance programs were converted into formulae based on basic inputted values. In addition, those formulae are supported by values published by federal and state agencies as well as housing authorities. Federal agencies include the Internal Revenue Service, the Social Security Administration, Administration for Children and Families, Food and Nutrition Services, Department of Housing and Urban Development, the Center for Medicare & Medicaid Services and the Health Resources and Services Administration. Illinois agencies include the Department of Revenue, Department of Human Services, Board of Education and the Department of Healthcare and Family Services. Housing authorities include the Housing Authority of Cook County, the Chicago Housing Authority, Lake County Housing Authority and St. Clair County Housing Authority.

The Independent Variable

The independent variable of the model is gross earned income for a defined range of zero to \$83,200 annually. The model tests 36 intervals within that range for each scenario, defined as a household with specific characteristics, such as the number of members, ages, county of residence and types of childcare settings chosen.

The intervals increase based on hourly earnings of a single-parent household as follows: 1) no income, 2) \$8.25 per hour for 20 hours per week, 3) \$8.25 per hour for 30 hours per week, 4) \$8.25 per hour for 40 hours per week (full time, or FT), 5) \$9.00 per hour FT, 6) \$10.00 per hour FT, 7) \$11.00 per hour for FT and so on, incrementally increasing by \$1.00 until \$40.00 per hour FT, which is the 36th interval. The wage of \$8.25 is used because it is the current minimum wage for Illinois. Annual gross earned income is calculated based on 52 weeks per annum, assuming paid vacation and holidays. For the scenarios with two-parent households, the same intervals are assumed but the intervals represent the combined wage earnings of both parents. To keep the intervals consistent with the single-parent household, it is assumed that the second parent does not work until the combined wage is \$17 per hour, which can be both parents working full-time each at \$8.50 per hour, or one at the minimum wage and the other at \$8.75 per hour. [Table 1](#) in Appendix B displays the intervals along with the hourly wage assumptions and calculated annual gross earned income.

The Dependent Variables

The dependent variables are the outcomes of how taxation and welfare-assistance programs impact household economic resources, that is, by reducing income, increasing income or adding benefits. For benefits, they are measured by the dollar value of the benefit. Specifically, the variables are as follows:

- Payroll and income taxes, excluding refundable tax credits
- Refundable tax credits that include the federal Earned Income Tax Credit, the federal Additional Child Tax Credit and the Illinois Earned Income Tax Credit
- Cash assistance, in this case Temporary Assistance for Needy Family, or TANF, cash grants
- Food assistance that includes a combination of benefits from the Supplemental Nutrition Assistance Program, or SNAP, formerly known as food stamps; Women, Infants and Children, or WIC, program food packages; and the National School Lunch Program, or NSLP; and the School Breakfast Program, or SBP, that provide free or reduced-price breakfasts, snacks and lunches to qualifying children
- Housing assistance, in this case the Housing Choice Voucher, or HCV, program that subsidizes both rent and utility costs
- Child-care assistance that subsidizes the costs of child care
- Medical Assistance, which is both Medicaid and the State Children's Health Insurance Program, or SCHIP, which are for Illinois FamilyCare and the four tiers of All Kids
- The Premium Tax Credit of the Affordable Care Act, or ACA, intended to assist families who do not qualify for Medicaid, do not have employer-provided health care and purchase health insurance through the government-run health-insurance exchange

Each dependent variable is a calculated result using inputs, assumptions, eligibility rules and look-up values. [Appendix C](#) provides a brief overview of the programs, discussing the eligibility rules, shared responsibility for the programs and sources of information. [Appendix D](#) provides look-up values and tables, consisting of 29 look-up items and sources for the data. [Appendix E](#) provides the algorithm sequence that includes 145 distinct steps, some of which involve substeps.

■ Assumptions for Sample Scenarios

Input Assumptions

Eight scenarios were run for this report. There are two family types: single-parent household and two-parent household. In addition, the location was varied as follows: Cook County, city of Chicago, Lake County and St. Clair County. Two household types each with four different locations yields eight scenarios ($4 \times 2 = 8$). The city of Chicago is dealt with separately from Cook County because it has its own housing authority. Otherwise, the scenarios of Cook County and Chicago would be the same. [Table 2](#) summarizes the varying input assumptions.

The constant input assumptions are that the family has two children, ages 10 (female) and 2 (male). The 10-year-old is in school and the 2-year-old is not. The mother is not pregnant, which would have made her eligible for additional benefits. No family member has a disability. When children are placed in child care, the family will choose licensed-day-care-center settings. Children are placed in child care to accommodate the parent(s) when they are working. If one or more parents are not working, then no child care is needed. If a single parent is working part-time, then only “part-day” child care is needed. If the child is in school and the parent is working full-time, then the “school day” child-care services are needed for those days that the child is in school and full-time services are needed when the child is not in school. See [Child-care Services](#) in [Appendix C](#) for source information and [Look-up Item 21](#) in [Appendix D](#) for details on the “full-day,” “part-day,” and “school-day” rates. [Table 3](#) summarizes the input assumptions that are held constant.

Other Assumptions

Other assumptions include the following:

- All values are valid for the months of August and September 2014
- The family does not have significant assets to preclude it from assistance
- There are no sanctions against the family from previous participation in welfare assistance programs
- The family does not receive or pay child support
- The family takes standard deductions on its taxes and does not have any unusual tax credits or subtractions
- The family resides in a school district where it participates in the School Breakfast Program. Note that locations being considered all have school districts participating in the program. See the note in [Look-up Item 16](#) in [Appendix D](#)
- It is assumed that any school-age child is placed in child care after school hours when the parent(s) is/are working and do not take part in the after-school snack program
- When eligible, the family is successful in working through the waiting list and securing a Housing Choice Voucher where the rent is not less than the payment standards. In lieu of

HCVs, there is also available public housing, which is not modeled here. It might be noted that the waiting lists for HCV can be lengthy and often the housing authorities need to close enrollment periods for those waiting lists. If a family does obtain public housing, it also would face a cliff as with the HCV program.

- When employed, the adult does not receive healthcare benefits from her or his employer.
- Consistent with program rules and regulations, the family is permitted to participate simultaneously in multiple welfare-assistance programs.

The family can receive benefits continuously as long as the family meets eligibility requirements. TANF is the only welfare assistance program with a time limitation, which is sixty months. However, there are exceptions to this limit. See the Illinois *Cash, SNAP, and Medical Manual: WAG 03-06-00* and *WAG 03-06-05*. <http://www.dhs.state.il.us/page.aspx?item=13316> and <http://www.dhs.state.il.us/page.aspx?item=13361>

Research concluded that Illinois does not have local income taxes, and general assistance offered by townships and some cities would not be available to the subject family because it would be eligible for TANF cash grants.

In several cases, program eligibility is categorical and the actual qualification is based on eligibility for another program. For example, those qualifying for TANF are automatically eligible for SNAP and Medicaid benefits. Those receiving TANF, SNAP, or Medicaid are deemed to have met WIC income guidelines. Children receiving TANF and SNAP benefits are deemed eligible for the school lunch program. TANF participants are categorically eligible for child care benefits, if they work or are enrolled in education or training.

Finally, data from the Survey of Income and Program Participation by the U.S. Census Bureau demonstrate that it is common for families that receive means-tested noncash benefits to be on more than one program at a time. For example, of the 6.4 million female family households with own children under 18 that receive benefits, which are similar to the single-parent household scenario considered in this model, only 19.7 percent of the households are on just one means-tested noncash benefit. 21.9 percent receive two benefits, 27.9 percent receive three benefits, and 30.8 percent receive four or more benefits. See Table 4, Households by Number of Means-Tested Noncash Programs in Which Members Participate: Monthly Averages, Fourth Quarter (October, November, December) 2012, of the Survey of Income and Program Participation. <http://www.census.gov/programs-surveys/sipp/publications/tables/hsehld-char.html>.

■ Discussion of Results

Layout of Results

The results of the eight scenarios are laid out in 24 charts, i.e., [Chart 1](#) through [Chart 24](#) in [Appendix A](#) and in four tables, i.e., [Table 4](#) through [Table 7](#) in [Appendix B](#).

There are three basic charts for each scenario. The first basic chart displays the potential welfare benefits as stacked columns for each gross earned income interval shown on the horizontal axis. This chart also shows the net earned income as a red line. The purpose of this basic chart is to illustrate the magnitude of the potential benefits.

The second basic chart maps the economic incentives by combining the net earned income with the welfare-assistance benefits. Again, gross earned income is the independent variable and is displayed on the horizontal axis. The dependent variables are combined as follows: the bottom blue line is net earned income; the orange line immediately above is net earned income plus refundable tax credits. Each subsequent line working upward adds another dependent variable in the following order: TANF cash grants, food assistance, housing assistance, child-care assistance, medical assistance and, finally, the ACA premium tax credit. Thus, if you follow the top line, you can see the combined impact of net earned income and benefits. The purpose of the second basic chart is to demonstrate economic incentives or disincentives to earn more money. The places where the line falls, or when the slope becomes negative, are the places where there are economic disincentives.

The third basic chart provides a comparison between income taxes paid by the family and welfare-assistance benefits received. What is graphed is the net income tax contribution, which is defined simply as the difference between the income taxes paid and benefits received. This chart shows the level of earned income a family must receive before it makes a positive income tax contribution. It also shows the size of the potential cost to the taxpayer to support the family at each earned income interval.

The tables are set up differently than the charts and combine more than one scenario. [Table 4](#) and [Table 5](#) list net earned income and each potential welfare assistance program benefit the family may receive for eight selected earned income intervals.

[Table 6](#) and [Table 7](#) provide critical indicators for each scenario. The indicators are as follows:

- maximum potential benefits,
- the peak in net earned income and benefits before the welfare cliff,
- the trough in net earned income and benefits after the welfare cliff,
- the drop from peak and trough,

- the recovery level of income needed to make up for the lost benefits,
- the maximum potential benefits less income taxes paid and
- the breakeven point for paying more in income taxes than benefits received.

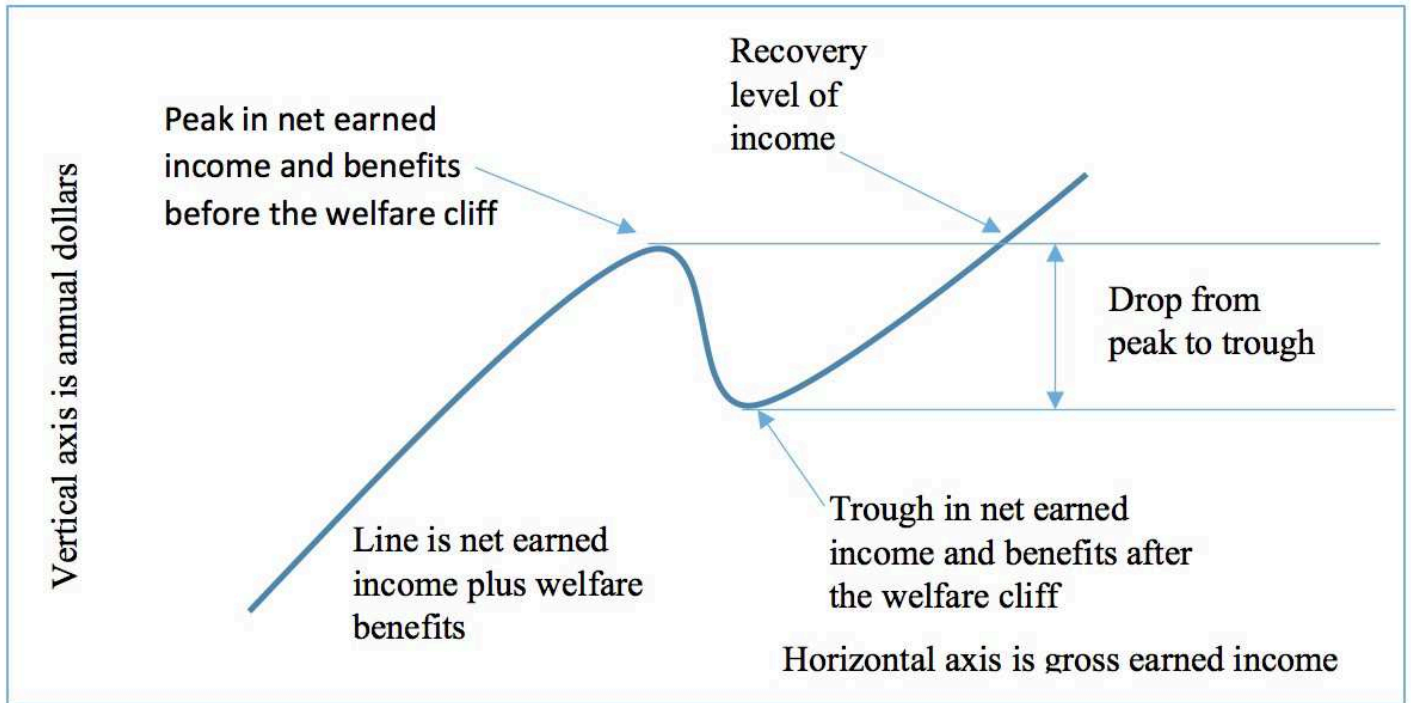
For each indicator, the table shows the following:

- the earned income interval,
- the hourly wage,
- the annual gross earned income,
- potential benefits and
- the net income plus potential benefits.

The welfare cliff is defined as the point when the net income and benefits drop, thus creating an economic disincentive to earn more income.

[Table 6](#) and [Table 7](#) relate to the data found in the basic charts. The maximum potential benefit can be found in the first basic chart for each scenario, which is simply the largest stacked column. The next four indicators – the peak in net earned income and benefits before the welfare cliff, the trough in net earned income and benefits after the welfare cliff, the drop from peak and trough and the recovery level of income – can be found in the second basic chart for each scenario. The graph on the next page illustrates where these indicators can be found.

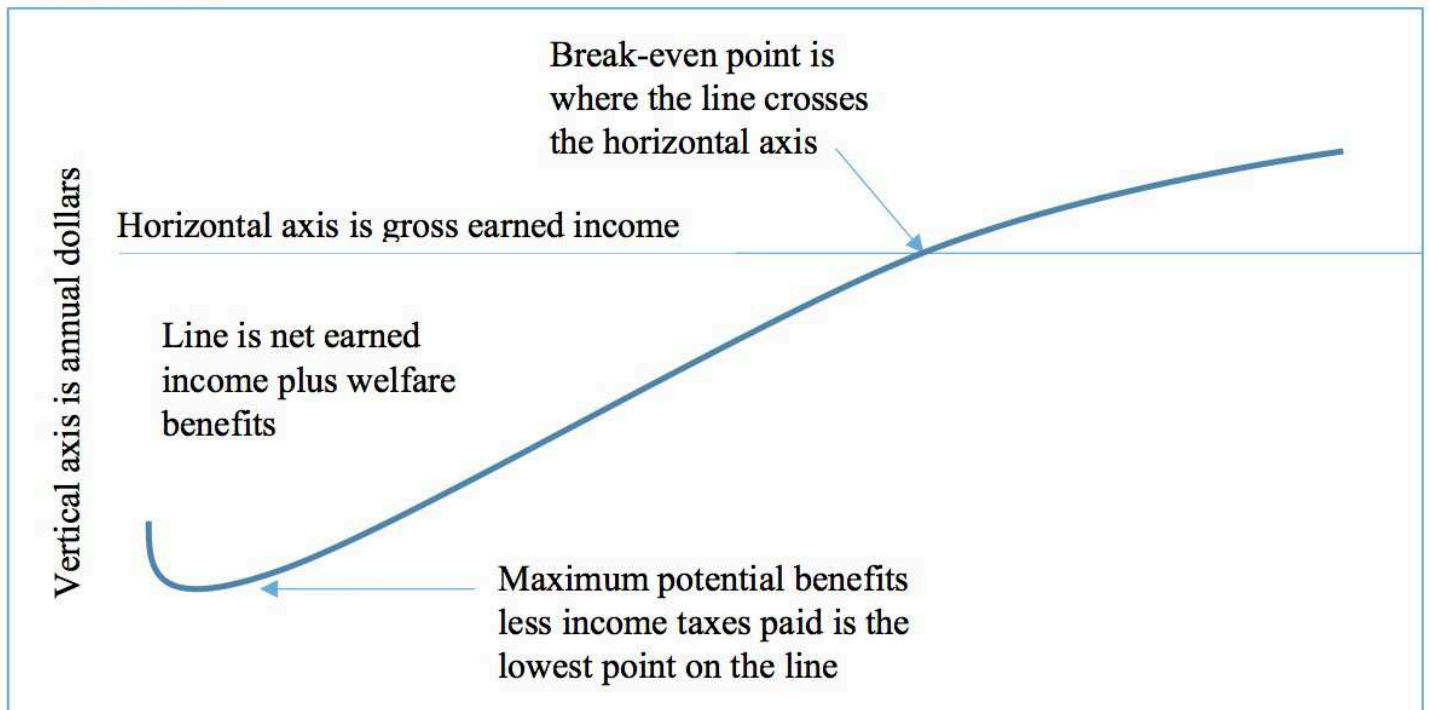
Illustration 1



The last two indicators – the maximum potential benefits less income taxes paid and the breakeven point for paying more in income taxes – relate to the third basic chart for each scenario. This basic chart graphs the net income tax contribution for the household. The low point on the line is the maximum potential benefits less income taxes paid, which represents the point that

the household receives the greatest benefit at the greatest cost to government. The point where the line crosses the horizontal axis is the break-even point for paying more in income taxes than receiving in benefits. The illustration below shows where these points are found.

Illustration 2



Observations on the Single-Parent Household Scenarios

[Chart 1](#), [Chart 2](#), [Chart 3](#) and [Chart 4](#) are the first basic chart for the single-parent household scenarios that uses stacked columns to show the magnitude of welfare-assistance benefits and they also graph the net earned income for reference. These charts are very similar. Benefits increase until the fourth gross earned income interval, which is full-time employment at the minimum wage, or \$8.25 per hour. Benefits steadily decline until \$15 per hour and then drop significantly because the loss of housing benefits. Two intervals later, benefits drop significantly again when child care subsidies disappear. [Table 4](#) provides data for selected intervals and [Table 6](#) provides a comparison of the maximum benefits received. Cook County has the richest benefit package at \$47,894, followed closely and statistically insignificantly by Chicago. This makes sense because Chicago is in Cook County and other than housing, the benefits are the same. Lake County comes next with benefits at \$45,952, or approximately \$2,000 less. St. Clair County has the least amount of benefits at \$42,704.

[Chart 9](#), [Chart 10](#), [Chart 11](#) and [Chart 12](#) are the second basic chart for the single-parent household scenarios that shows the mapping of net earned income and welfare benefits. Again, the charts look similar, with the major differences being the magnitude and the recovery level of income. In all cases, net earned income and welfare benefits climb quickly from no income through part-time work at minimum wage until full-time at minimum wage (\$8.25 per hour). Net earned income and benefits then plateau until a peak of \$12 per hour, which is only slight greater – and probably unnoticeable – than at minimum wage. Thereafter, net earned income and benefits begin to decline until they reach a trough at \$18 per hour. The drop from peak to trough is highly significant, reducing disposable income resources by more than one-third. [Table 6](#) provides the values for each locality for the drop. For Cook County, net earned income and benefits drop \$24,840, from a peak of \$63,597 to a trough of \$38,757. The values are nearly identical for the city of Chicago: a drop of \$24,830 from a peak of \$63,586 to a trough of \$38,757. Although the values are lower for Lake County and St. Clair County, the drop is relatively the same, i.e., more than one-third. For Lake County, the drop is \$23,396, from a peak of \$61,655 to a trough of \$38,259. For St. Clair County, the drop is \$19,408, from a peak of \$58,473 to a trough of \$39,065.

The reason for the variations in the peaks, troughs and drops is that most categories of welfare programs are sensitive to the locality. TANF cash grants, child care assistance, medical assistance and the ACA premium tax credit vary based on the county. Furthermore, housing assistance varies not only based on the county but can also vary based on the city or even ZIP code zone.

Also evident in [Chart 9](#), [Chart 10](#), [Chart 11](#) and [Chart 12](#), a single parent must increase her or his hourly wage multitudes more in order to recover from the loss in benefits from the

peak, which is also displayed in [Table 6](#). That is, earned income would have to be approximately triple before the single parent can make up the difference. For Cook County and the city of Chicago, the parent would have to earn \$38 per hour before she would make up for loss of benefits when she earned only \$12 per hour. For Lake County, she would have to earn \$37 per hour and for St. Clair County, \$35 per hour.

[Chart 17](#), [Chart 18](#), [Chart 19](#) and [Chart 20](#) are the third basic chart for the single-parent household scenarios that displays the net income contributions. Again, these charts reveal a very similar pattern. As also shown in [Table 6](#), the maximum potential benefits minus income taxes paid occurs at minimum wage for all localities, although the amount of the benefits vary from \$42,704 for St. Clair County to \$47,894 for Cook County. The break-even point for paying more in income taxes than receiving in benefits is \$23 per hour for all localities, except for Lake County, which is \$22 per hour.

Observations on the Two-Parent Household Scenarios

[Chart 5](#), [Chart 6](#), [Chart 7](#) and [Chart 8](#) are the first basic chart for the two-parent household scenarios that uses stacked columns to show the magnitude of welfare-assistance benefits and they also graph the net earned income for reference.

[Table 5](#) and [Table 7](#) provide, respectfully, the selected intervals for these charts and the indicators. While these charts are similar to each other, they differ from the charts for single-parent households. The sum of maximum benefits no longer is \$8.25 per hour as with the single-parent households but are at the interval where there is no earned income from either parent. The reason for this difference has to do with the combination of two factors: how the welfare benefits decline with earned income and the fact that child-care subsidies do not kick in until both parents are working, which under the assumptions used for two-parent household scenarios, is when there is a combined wage of \$17 per hour. This factor is also the reason why the graph has a blip, or a sharp increase of benefits at the \$17 per hour interval for three of the four scenarios. In other words, by the time the family requires child-care services, TANF cash grants have disappeared altogether; Medicaid for the parents have disappeared; and food assistance and refundable tax credits are diminished. At the next earned income interval, i.e., \$18 per hour, housing assistance will disappear, causing the benefit level to drop again as child-care subsidies replace housing assistance. This pattern holds true for all localities, except for St. Clair County.

In the case of St. Clair County, as shown in [Chart 8](#), housing assistance disappears before child-care services kick in. Thus, there is no large blip at \$17 per hour. Observe, also, that the child-care subsidies at \$17 per hour are greater than the housing assistance subsidies at \$16 per hour, causing an uptick in benefits.

St. Clair County has another unique result, which is also evident in [Chart 8](#). The ACA Premium Tax Credit starts at combined

wage of \$16 per hour and then disappears at \$32 per hour, only to reappear at \$37 per hour, and it continues beyond the range of the model, which ends at \$40 per hour. The reason for this is the peculiar way that the Premium Tax Credit works. The subsidy is not only determined by eligible income (see [Look-up Item 27 in Appendix D](#)) and factors that determine the maximum contribution as a percentage of the Federal Poverty Level guideline that can be made by a family (see [Look-up Item 28](#)); it also depends on the second lowest silver plan cost for each county. In the case of St. Clair County, it has the highest silver plan costs for all four localities considered. See [Look-up Item 29](#). For a fuller explanation of how the Premium Tax Credit works, see the explanation for the [Affordable Care Act \(ACA\) Premium Tax Credit](#) in [Appendix C](#).

As with the single-parent household scenarios, Cook County has the richest benefit package for two-parent households at \$41,237. Cook County is followed closely by Chicago at \$41,226 and then by Lake County at \$39,237 and St. Clair County at \$37,449. Again, Cook County and Chicago are almost identical because many of the benefits are determined in the same manner.

[Chart 13](#), [Chart 14](#), [Chart 15](#) and [Chart 16](#) are the second basic chart for the two-parent household scenarios that shows the mapping of net earned income and welfare benefits. The charts for Cook County, Chicago and Lake County look similar, with the major differences being the magnitude and the recovery level of income. St. Clair County, for reasons already discussed for [Chart 8](#) above, has a more mild welfare cliff. Focusing first on the other three localities, the peak of the net earned income and benefits can be described more accurately as a pillar with precipices on all sides. The family maximizes its combined earned income and benefits if both earn \$8.50 an hour for a combined wage of \$17.

In the case of St. Clair County, there is no pillar, but the net earned income and benefits climb until a combined wage of \$21 per hour. Thereafter, there is a drop from peak to trough of 16 percent. By comparison, the drop from peak to trough for the other localities are more significant: a 29 percent drop for Cook County and Chicago; and a 28 percent drop for Lake County. [Table 7](#) provides the data used for these calculations. In the case of St. Clair County, the family would need to increase its earned income from \$22 per hour to \$31 per hour to recover.

[Chart 21](#), [Chart 22](#), [Chart 23](#) and [Chart 24](#) are the third basic chart for the two-parent household scenarios that displays the net income contributions. Cook County, Chicago and Lake County look very similar. The maximum potential benefits minus income taxes paid occur at the no-income interval and the pillar at \$17 per hour is clearly visible on the charts. As also shown in [Table 7](#), the breakeven points for those three localities are at the combined wages of \$27 per hour. The breakeven point is greater for St. Clair County, which is \$29 per hour. The reason for this is the additional subsidies due to healthcare insurance costs. The maximum potential benefits minus income taxes paid for St. Clair County occurs at the same point as the other localities, but, for reasons already explained, there is no evidence of a spike at \$17 per hour.

■ Some Conclusions from the Computations and the Modeling

There are five general conclusions that can be reasonably drawn from the computations and modeling. This is not to say that more conclusions cannot also be drawn.

First General Conclusion: Potential Welfare Benefits are Large in Magnitude and Wide in Scope

The first general conclusion is that there is a significant range of welfare benefits that when combined are large in magnitude and wide in scope. For both single-parent and two-parent households, residents in Cook County stand to gain the greatest amount of benefits at \$47,894 for a single-parent household and \$41,237 for a two-parent household. See [Chart 1](#), [Chart 5](#), [Table 6](#) and [Table 7](#).

The range that a single-parent family can receive benefits extend up to gross earned income of \$30 per hour, or \$62,400 per year. In the case of two-parent households, that range extends to a combined wage of \$36 per hour or \$74,800 per annum for Cook County, Chicago and Lake County. However, for St. Clair County, it extends beyond the outer limit of the model at \$40 per hour or \$83,200 for per annum. As explained previously, the reason for St. Clair being different is the cost of healthcare insurance in the county and the manner by which the ACA Premium Tax Credit works. See [Chart 1](#), [Chart 2](#), [Chart 3](#), [Chart 4](#), [Chart 5](#), [Chart 6](#), [Chart 7](#) and [Chart 8](#).

Second General Conclusion: Welfare Cliffs are Significant and It Is Difficult to Recover from a Loss of Benefits

A second conclusion is that the welfare cliffs are significant and it requires significantly more earned income before a family can recover from lost benefits. For single-parent households, there is really little point in aspiring to earn more than minimum wage because there is little benefit in earning as much as \$12 per hour where net earned income and welfare benefits peak. This is evident graphically because the slope between \$8.25 per hour and \$12 per hour is fairly flat. See [Chart 9](#), [Chart 10](#), [Chart 11](#) and [Chart 12](#). As seen on those same charts, net earned income and benefits decline until they hit a trough at \$18 per hour. See also [Table 6](#). The additional gross income that needs to be earned in order to recover from the loss in benefits is more than triple the income at the peak of net earned income and benefits, except for St. Clair County, which is nearly triple, going from \$12 per hour to \$35 per hour. See [Table 6](#). Note that if the minimum wage were raised to \$10 per hour, it would not benefit the families studied under these single-parent household scenarios.

For two-parent households, the optimal gross earned income is a combined wage of \$17 per hour, or approximately \$8.50 each, for Cook County, Chicago and St. Clair County. See [Chart 13](#), [Chart 14](#) and [Chart 15](#). In these cases, raising the minimum wage to \$10 per hour would cause them to lose benefits. Also see [Table 5](#). For these scenarios, the cliff is significant and these households would need to more than double their

combined wages to recover from the loss in benefits. See [Table 7](#). For St. Clair County, the cliff occurs at a combined wage of \$21 per hour and recovery can be achieved at \$31 per hour. See [Chart 16](#) and [Table 7](#).

Third General Conclusion: Economic Disincentives Are Major and Trap Families

As can be concluded from [Chart 9](#), [Chart 10](#), [Chart 11](#) and [Chart 12](#), the welfare system encourages the single parent to work, but only for minimum wage and not much more, that is, as much as \$12 per hour. Thereafter, the combination of net earned income and benefits begin to decline. By \$18 per hour at the trough, these households potentially have one-third less income and benefits. This result reveals a tremendous disincentive to seek work that pays more, essentially trapping single parents between the minimum wage and \$12 per hour. It is unlikely that persons in this situation would be able to triple their incomes in order to recover lost benefits from the cliff. The system subsequently discourages any natural effort on the part of the parent to seek a better paying job or to advance her situation, contrary to what market forces would incentivize if left untampered.

The situation for the two-parent household is more complex to analyze because there are potentially two incomes and the combination of potential benefits. Careful observations of [Chart 13](#), [Chart 14](#), [Chart 15](#) and [Chart 16](#) show that a single parent working at \$14 per hour is a likely point of equilibrium. Food assistance drops significantly at the next earned income interval – because of a loss of SNAP benefits – and on the next interval, \$16 per hour, Medicaid benefits are lost for the parents. The bump in benefits at a combined wage of \$17 per hour is because child-care subsidies are attained. In other words, at \$14 per hour, the family receives SNAP benefits, Medicaid and one of the parents gets to stay home with the children. At the \$17 per hour combined wage, the child care subsidy can only pay for child care needs and cannot be used to purchase health insurance or food.

As demonstrated with these scenarios, single-parent households with two children are trapped to earn no more than \$12 an hour and two-parent households, no more than \$14 per hour. Keep in mind that if we change the parameters, or assumptions, these amounts might vary. Nonetheless, the computations demonstrate the disincentives and entrapment for the scenarios considered in the model.

Fourth General Conclusion: The Welfare System Is Inequitable

In addition to the economic disincentives and entrapment, these results show a fundamental inequity. It is more beneficial for single-parent families to earn between \$8.25 and \$12 per hour than for all similar families who might earn more than \$18 per hour but less than the recovery levels. Why, for example, would a single mother in Cook County in the same situation want to make a small but positive net contribution to income

taxes while earning \$24 per hour, or \$49,920 per year, if those taxes are supporting someone who earns half at \$12 per hour but ends up in the final analysis with \$18,000 more? The same logic holds true for two parent families.

Fifth General Conclusion: The Greatest Problem Areas Are Those Programs That Do Not Taper Off Benefits

Another general conclusion is that the welfare programs causing the greatest problems are those that have benefits that are too generous or taper off too quickly. As can be observed from the charts, i.e., [Chart 9](#), [Chart 10](#), [Chart 11](#), [Chart 12](#), [Chart 13](#), [Chart 14](#), [Chart 15](#) and [Chart 16](#), refundable tax credits and TANF grants are not very problematic from an economic disincentive standpoint. These benefits taper off, thus preserving the incentive to earn more money. Housing benefits, child-care assistance and healthcare assistance all have steep cutoff points. These programs are what cause the welfare cliffs. Food assistance is not as bad as housing, child care or healthcare, but they have drop-offs in benefits. WIC food packages and the National School Lunch Program have hard cutoffs. SNAP benefits, however, do taper off, but they can drop off steeply in the upper limits, depending on the circumstances.

■ Working Toward a Solution

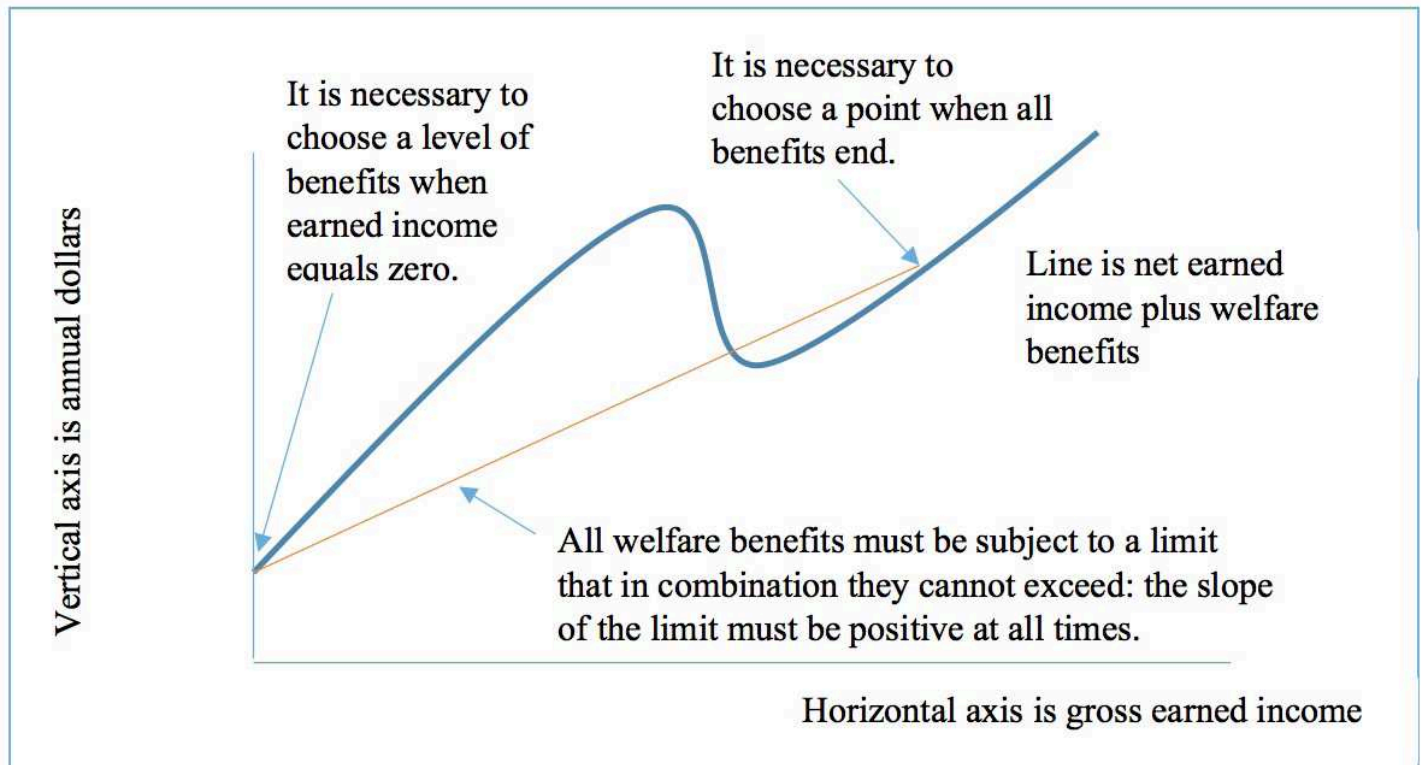
A Fundamental Mathematical Principle

Economic disincentives embedded in a welfare system cause that system to be dysfunctional. It traps families within the system. It is inequitable to other families who earn more. It costs taxpayers more. In addition, there is probably a list of unintended economic consequences, although these are not studied here. Thus, a fundamental principle for reforming the welfare system

is that economic disincentives must be removed. Without doing so, the reform may fail and the dysfunctional system will remain.

From a mathematical point of view, the solution is fairly simple if the reform effort adheres to a fundamental principle: no household should have less in combined net earned income and welfare benefits than a household in the same situation that earns less. This principle can be shown graphically.

Illustration 3



To explain the illustration. The combination of net earned income and welfare benefits from all programs, if graphed relative to gross earned income, must have a positive slope at all times. There cannot be at any time when earned gross income increases that the household's combined net earned income and welfare benefits decline. Implementing this principle into practice will require coordination and cooperation from various federal, state and local government programs.

What Federal Officials Can Do

The greatest thing that the federal government can do is to give states flexibility to combine *all* welfare programs to allow coordination and cooperation, including the housing assistance program where states now have no control. There are several good reasons why it makes sense for the federal government to relinquish control to the states. First, from an administrative point of view, states run most of the programs now anyway. States run the TANF programs, the childcare programs and Medicaid/SCHIP. Even SNAP where the federal

government funds 100 percent of the benefits, the states run the program. Second, from the principle of governance, states are closer to the people and understand better the geographic and demographic differences. In other words, one size does not fit all and it makes sense to allow states to customize the programs to fit their special circumstances. Third, although not a topic of this paper, states have a clearer constitutional duty to address issues of welfare policy. In contrast, the federal government does not have a clearly enumerated power in its Constitution for public assistance.

The flexibility can take different forms. There may be more than listed here, but here are four approaches. First, Congress can expand waiver powers of the federal agencies, allowing states to craft proposals to combine all programs into an integrated plan. Second, Congress can use its appropriation power to create block grants, allowing states to innovate. Third, Congress can streamline its programs so that states are required to develop plans to integrate the programs. Fourth, Congress could simply eliminate the programs and associated bureaucracies

and use a single mechanism, such as the mechanism of the refundable tax credit, to provide a level of guaranteed income for all individuals.

What State Officials Can Do

Seeking a solution to the welfare system requires cooperation between federal and state officials, but this does not mean that state officials must wait for federal officials to initiate action.

First, states officials can express their interest in reform to their Congressional delegation. This can be done through informal means, such as meeting personally with federal officials, or more formally, such as the Legislature passing resolutions imploring Congress to act.

Second, a number of federal programs already have waiver capabilities. State officials can begin the process of researching its powers to request waivers vis-à-vis an overall plan to integrate the welfare programs. State officials need to understand that its participation in the federal programs are voluntary and they may be able to leverage cooperation.

Although housing programs are controlled by the federal government, housing authorities are creatures of state law. Creative thinking and research may be able to discover possible solutions that are not apparent now. These may include relatively small changes in federal or state law, enabling housing programs to be integrated into a greater reform effort.

■ Further Study

There are several related areas where further research may be desirable, which can be categorized in four broad areas: further modeling, corroborative statistical analyses, budgetary and administrative governance analyses and developing prototypes for reform.

As far as additional modeling is concerned, the scenarios presented here are limited in scope. Two natural follow-up studies would be to model welfare benefits for single individuals and then integrate that study with this one in order to analyze the relationship between one-parent households and two-parent households. This study may reveal incentives or disincentives for parents to marry or live together.

An equally important area of inquiry is to examine households with members who have a disability. These individuals may also face disincentives to work, despite many of them being just as capable of holding down a full-time job. Another reason to examine this area is that as welfare programs have moved away from cash assistance for abled-bodied individuals, behavior has shifted to seeking ways to get declared disabled, especially if the disability is not very debilitating, in order to obtain the additional cash benefits.

The parameters of the model also can be expanded in different ways. For example, this study was limited to three counties plus the city of Chicago. It can be expanded to include other counties. Also, this model examined a family with two children, ages 10 and 2. The number of children, or their ages, or both can be changed as well.

Corroborative statistical analyses also would be helpful, by examining data – such as Census data, program data, economic data, etc. – to find corroborative indicators. Previous studies, for example, demonstrate an inverse proportional correlation between poverty and marriage. Program data, such as enrollment data, can reveal problem areas in the welfare programs, such as large increases in certain categories. Census and economic data may reveal important findings, such as stagnation in wage growth for certain population groups.

Budgetary and administrative governance studies can examine how welfare programs are funded and set up, highlighting the cost to the taxpayer. In other words, it is not just the cost of benefits of welfare programs; it also is the cost of administrating those programs.

Finally, more research can be done on making suggestions for how a functional, reformed welfare system would look like, which, by the way, does not exist in the United States. Not yet, anyway.

Appendix A: Charts

Chart 1: Welfare Benefits vs. Net Earned Income: Single Parent & 2 Children Scenario: Cook County

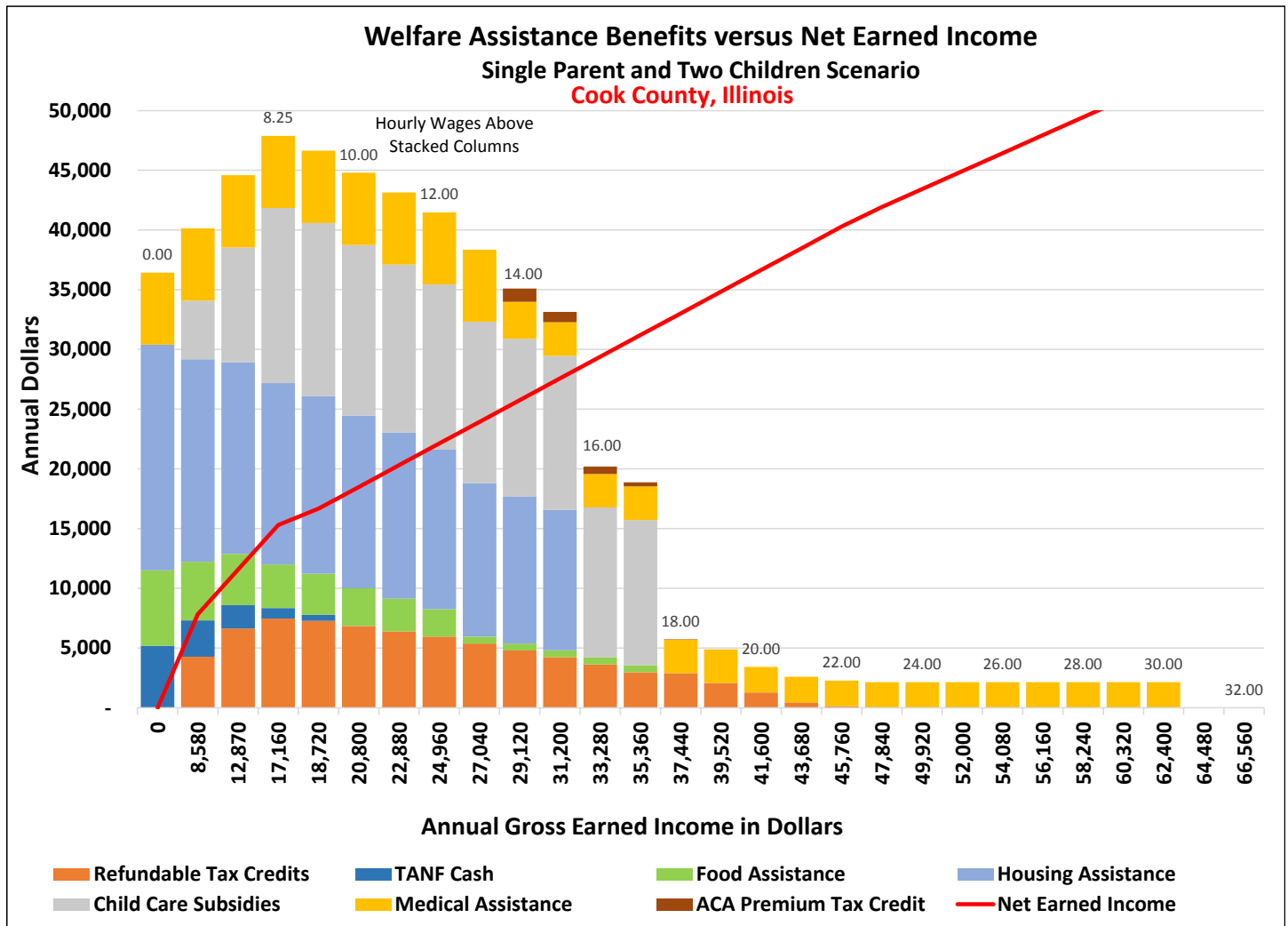


Chart 2: Welfare Benefits vs. Net Earned Income: Single Parent & 2 Children Scenario: Chicago

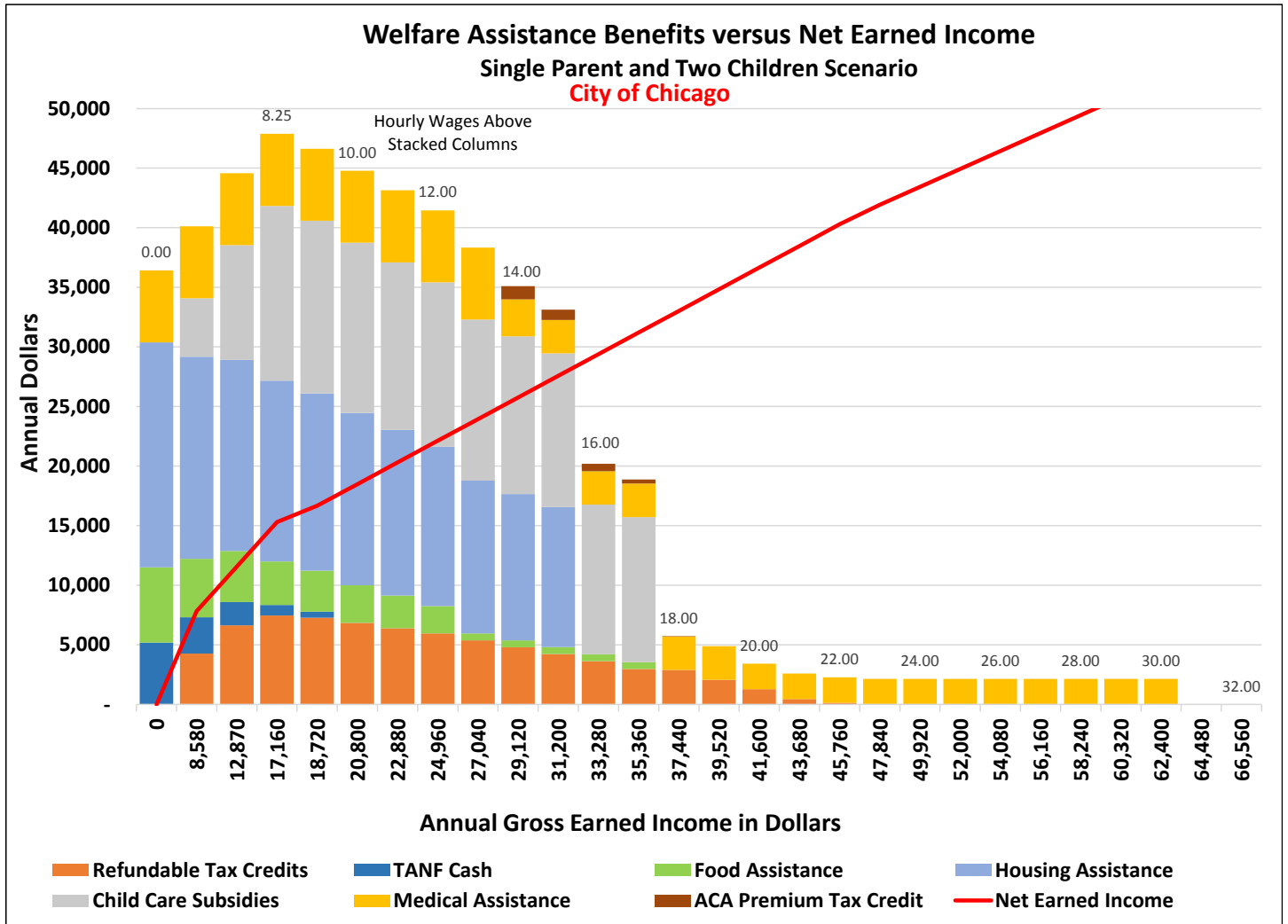


Chart 3: Welfare Benefits vs. Net Earned Income: Single Parent & 2 Children Scenario: Lake County

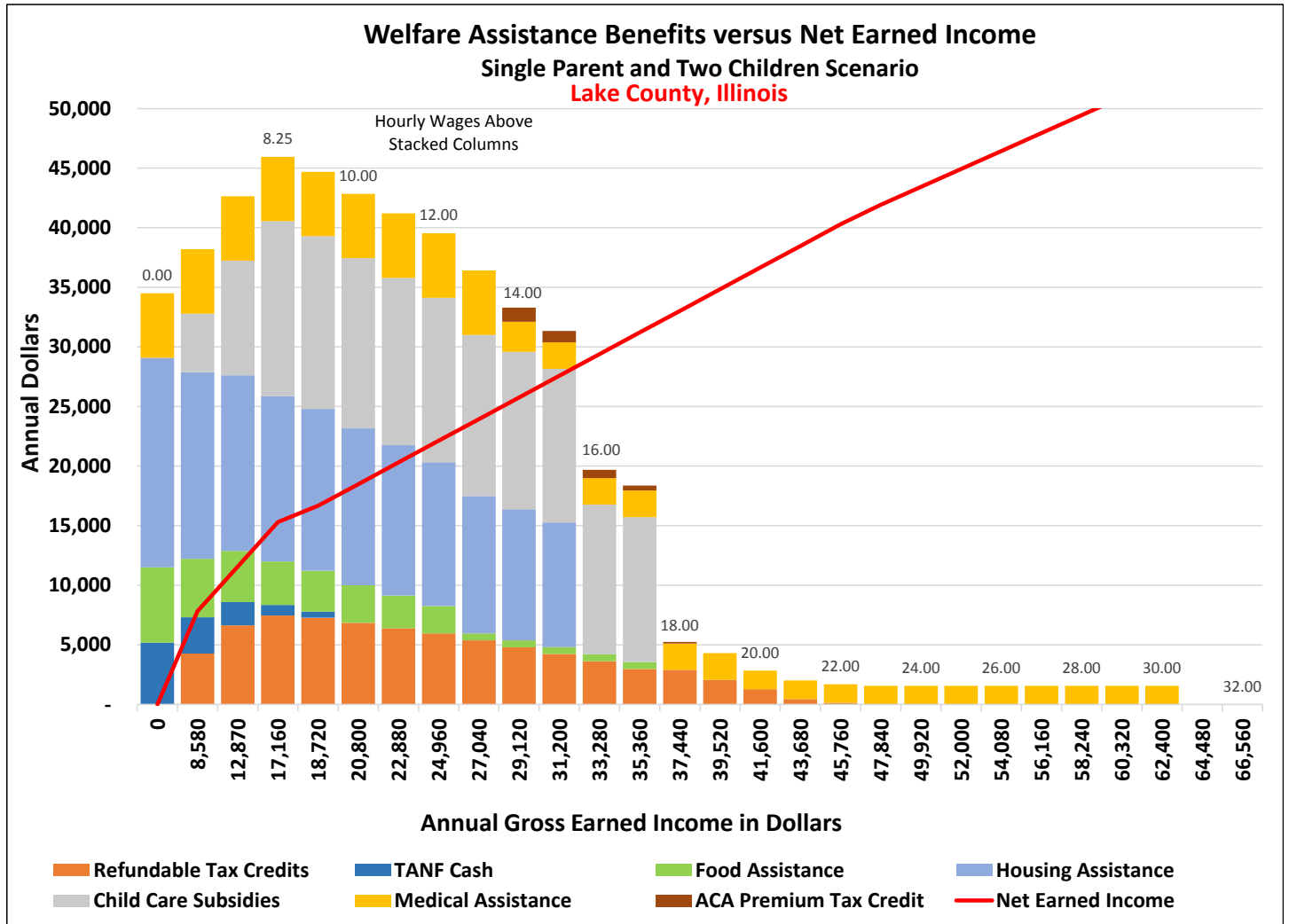


Chart 4: Welfare Benefits vs. Net Earned Income: Single Parent & 2 Children Scenario: St. Clair County

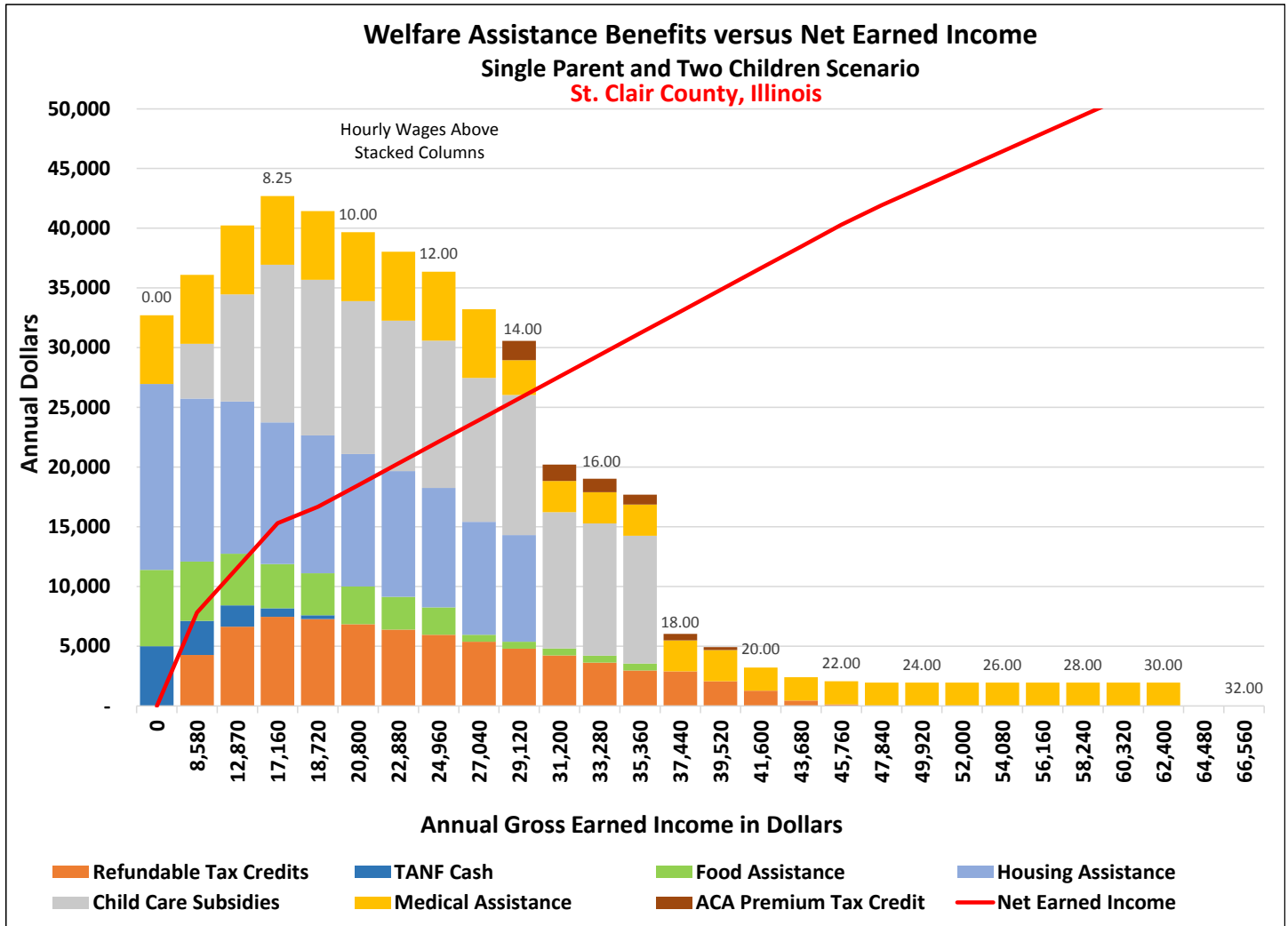


Chart 5: Welfare Benefits vs. Net Earned Income: 2 Parents & 2 Children Scenario: Cook County

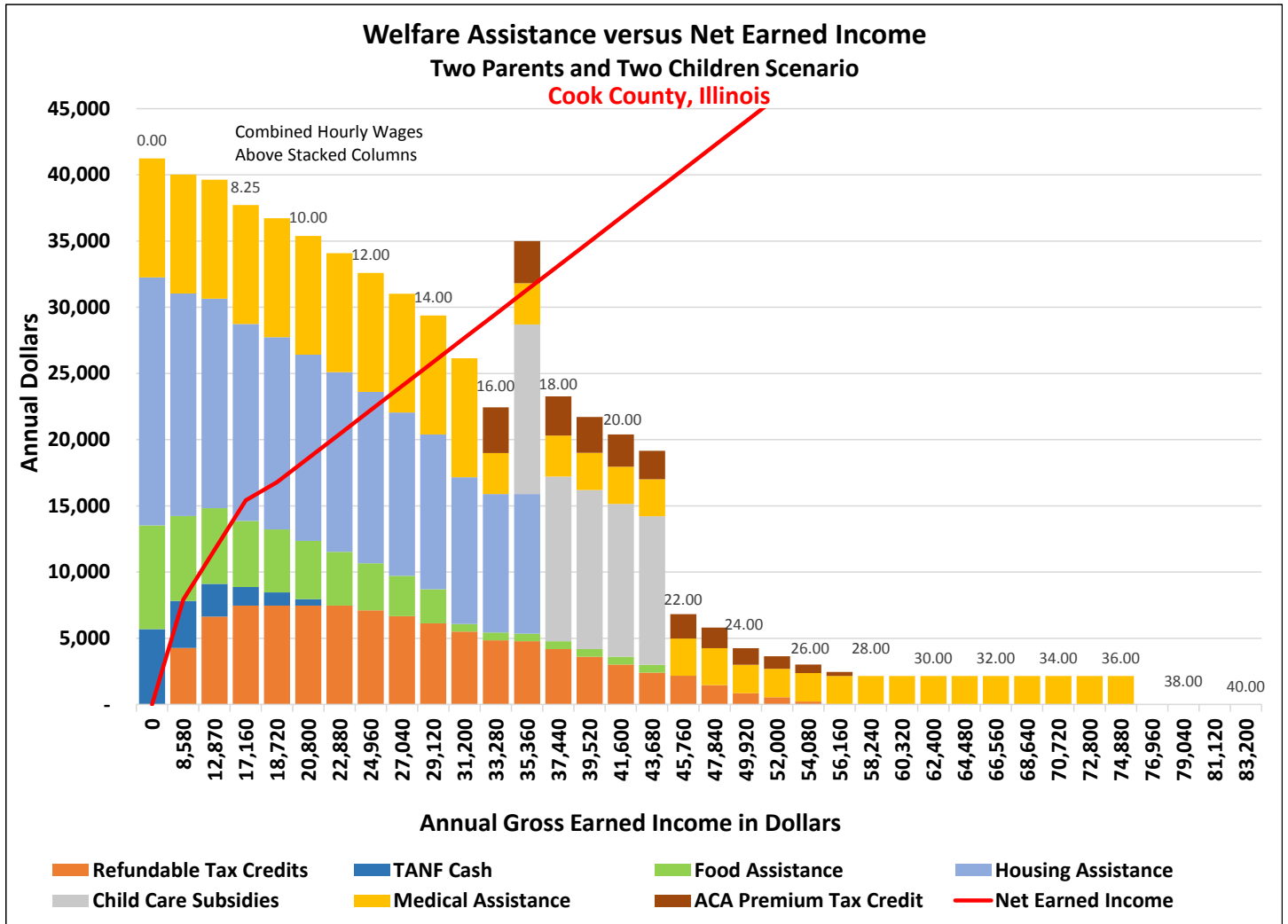


Chart 6: Welfare Benefits vs. Net Earned Income: 2 Parents & 2 Children Scenario: Chicago

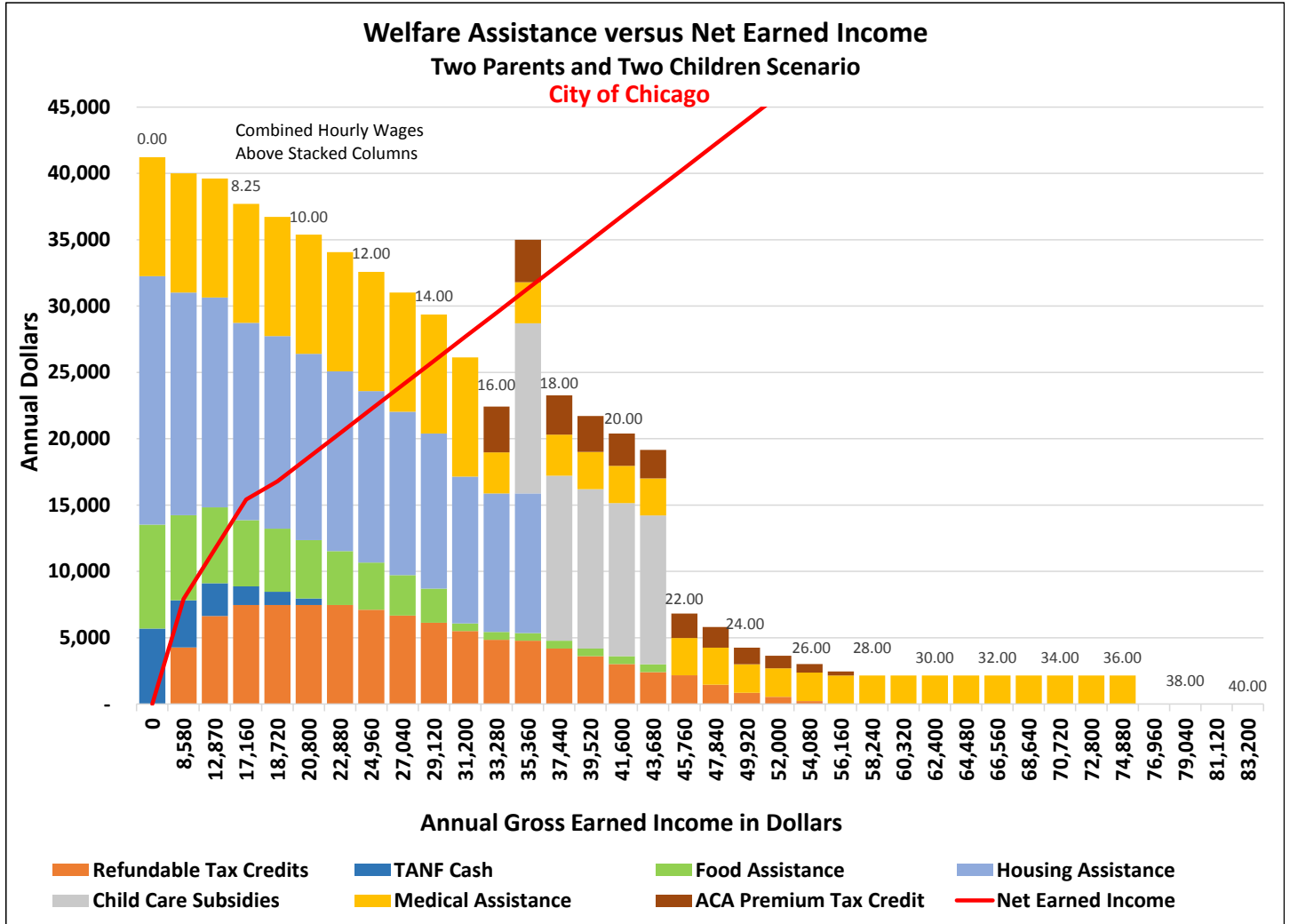


Chart 7: Welfare Benefits vs. Net Earned Income: 2 Parents & 2 Children Scenario: Lake County

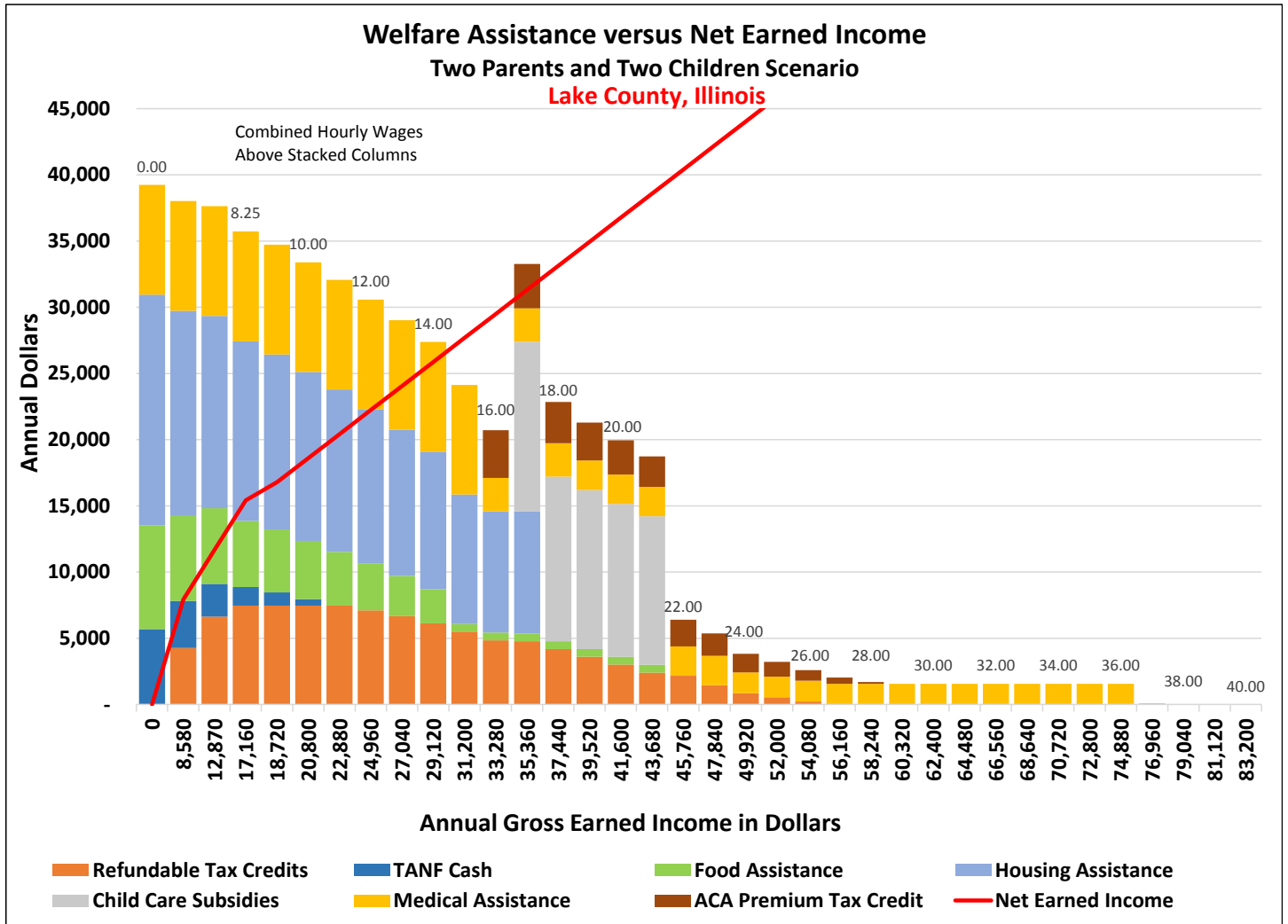


Chart 8: Welfare Benefits vs. Net Earned Income: 2 Parents & 2 Children Scenario: St. Clair County

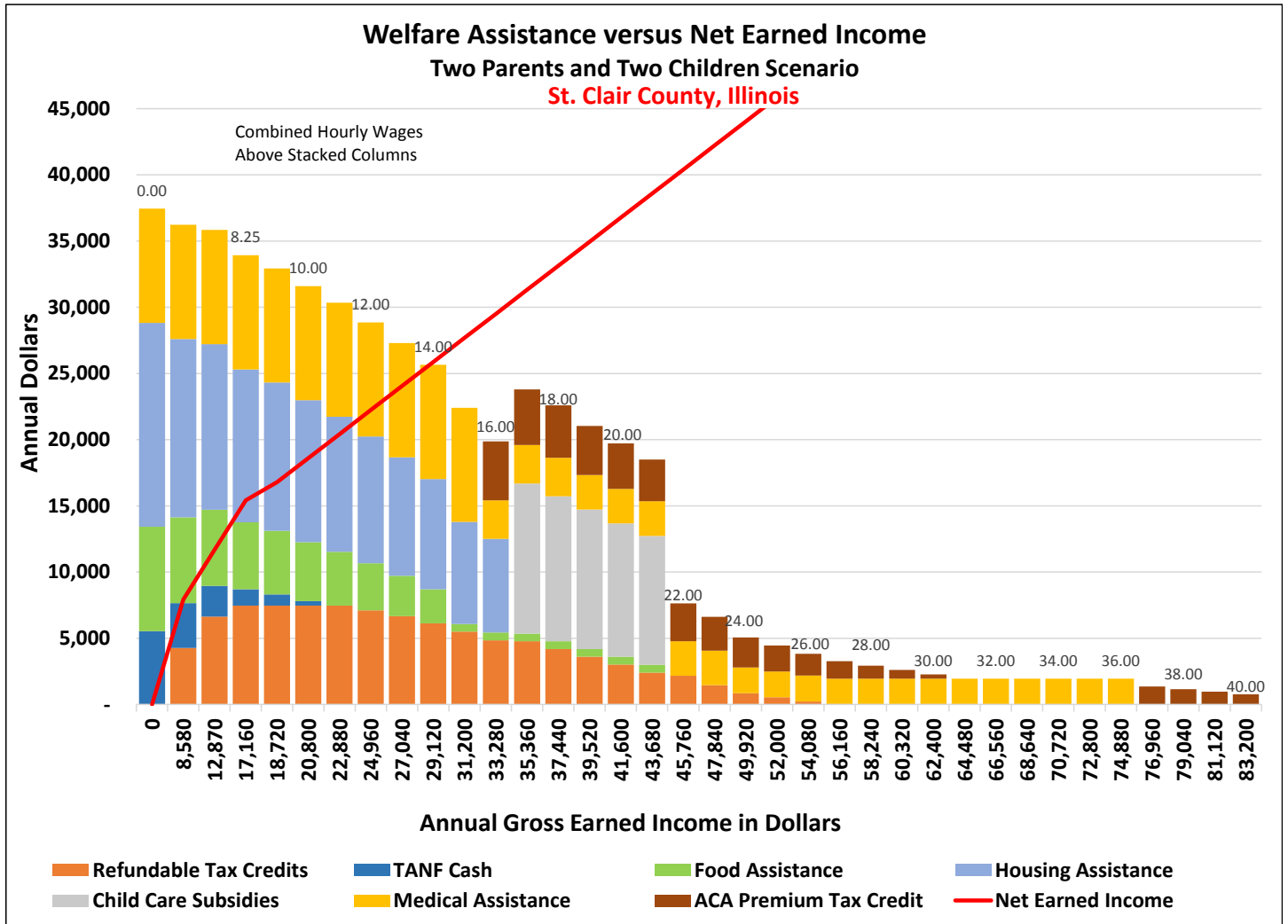


Chart 9: Net Earned Income & Welfare Benefits Mapping: Single Parent & 2 Children Scenario: Cook County

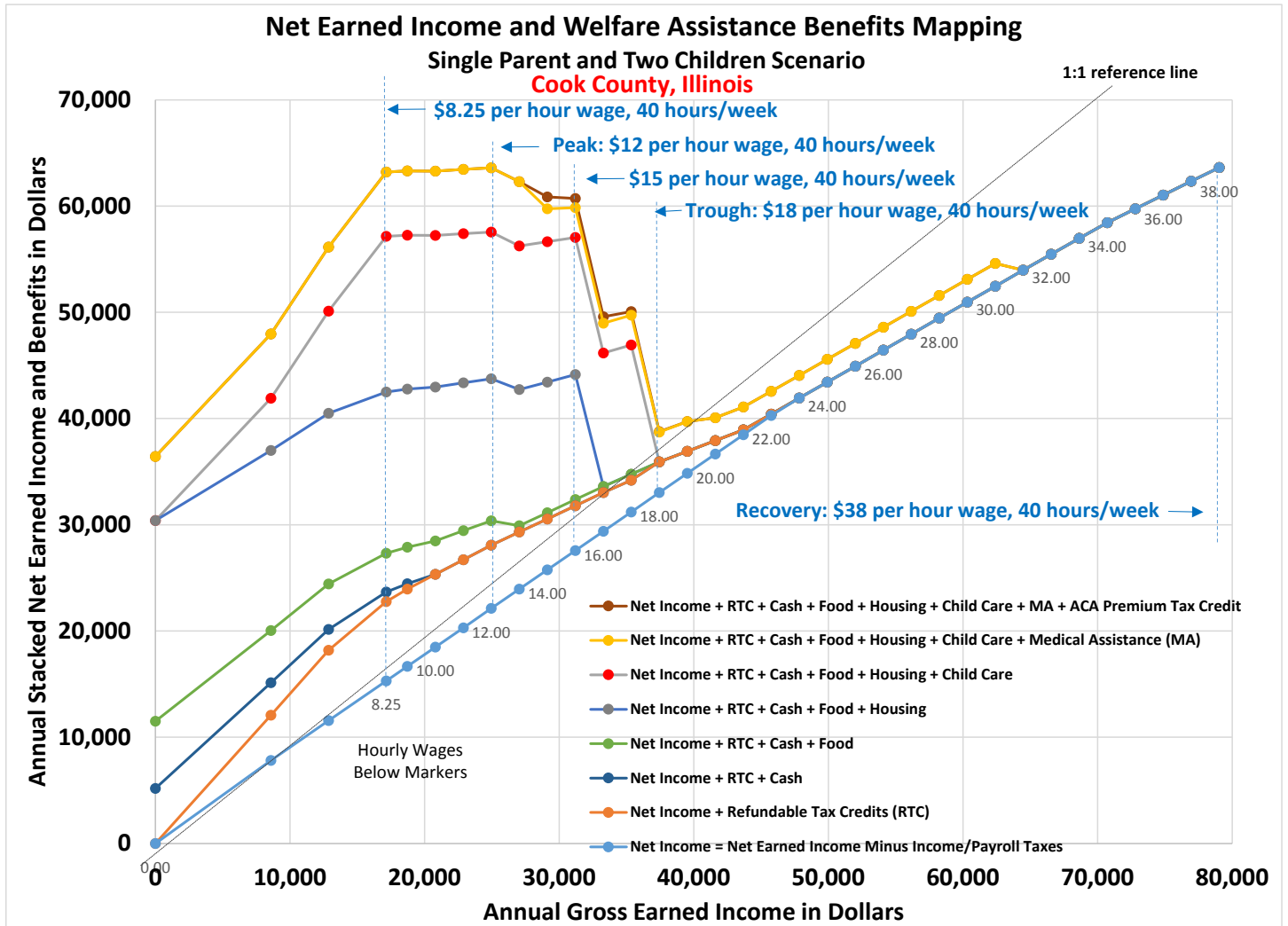


Chart 10: Net Earned Income & Welfare Benefits Mapping: Single Parent & 2 Children Scenario: Chicago

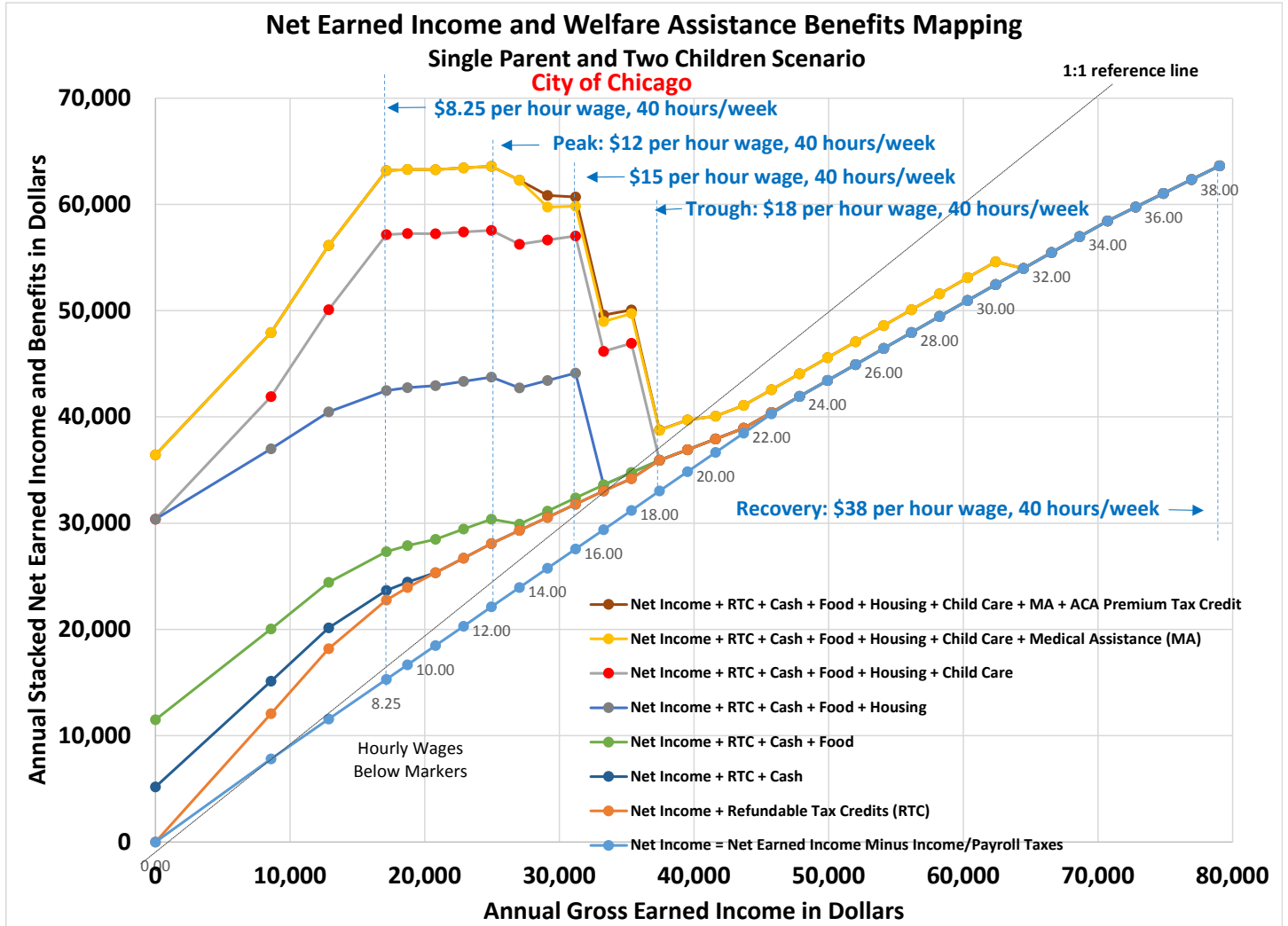


Chart 11: Net Earned Income & Welfare Benefits Mapping: Single Parent & 2 Children Scenario: Lake County

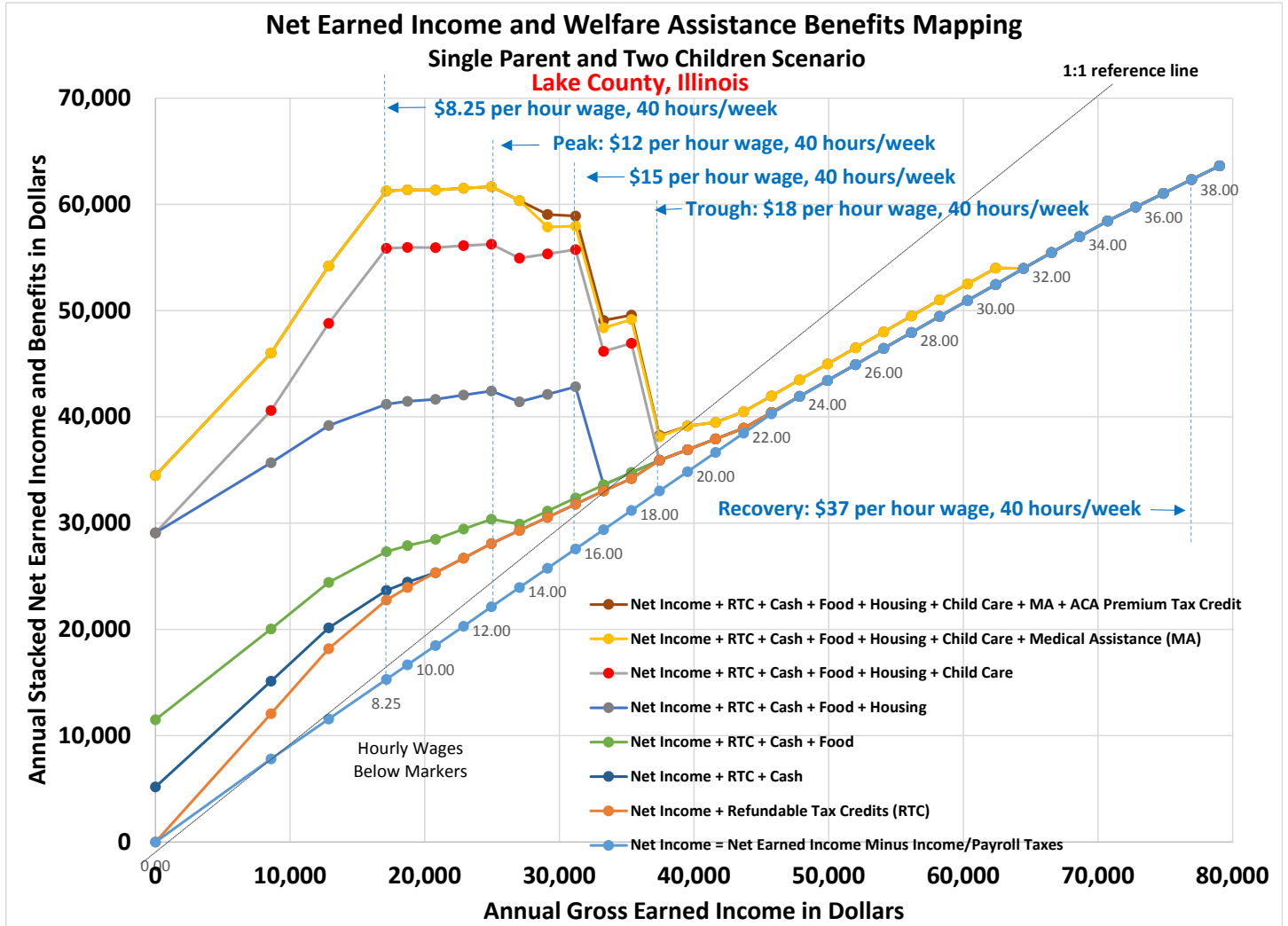


Chart 13: Net Earned Income & Welfare Benefits Mapping: 2 Parents & 2 Children Scenario: Cook County

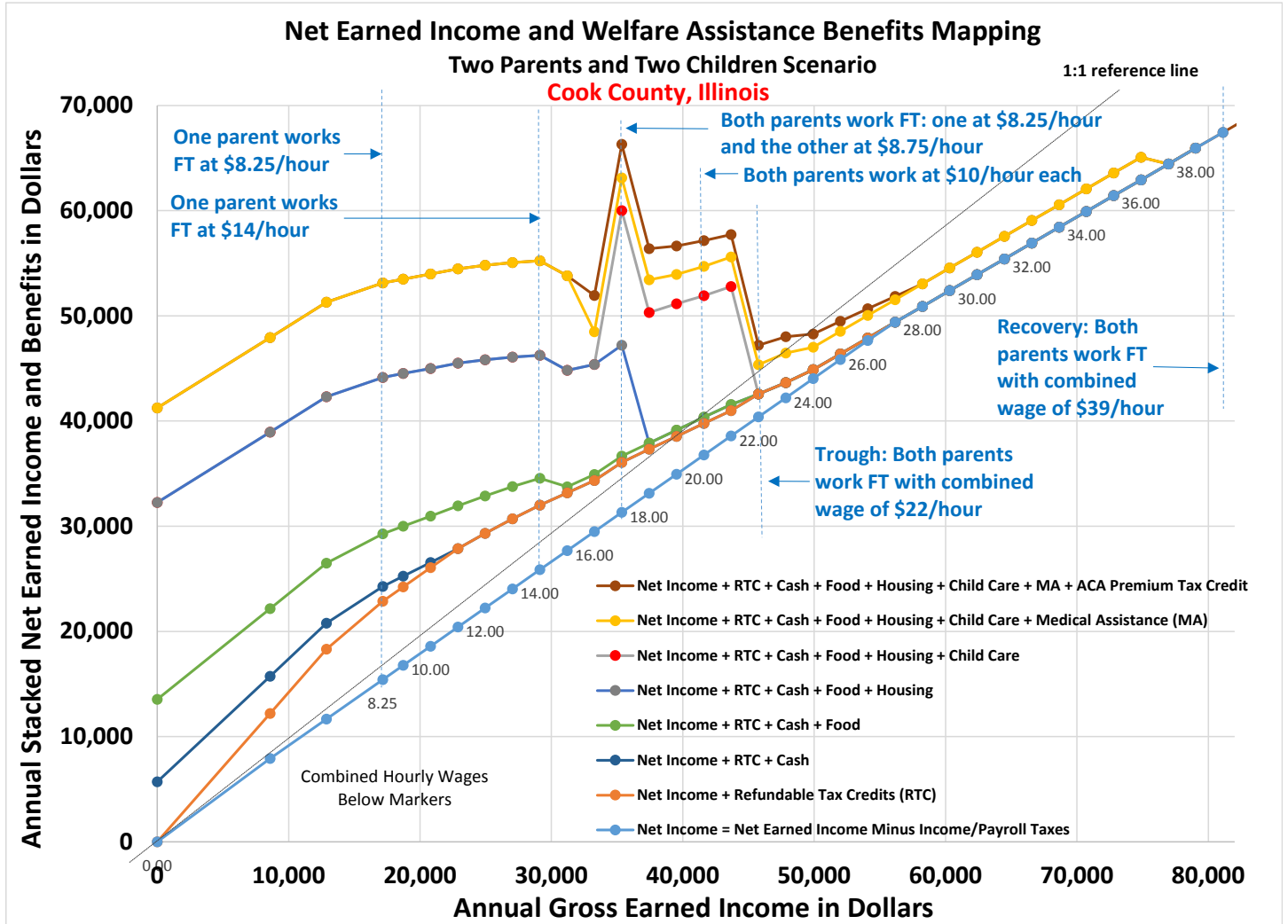


Chart 14: Net Earned Income & Welfare Benefits Mapping: 2 Parents & 2 Children Scenario: Chicago

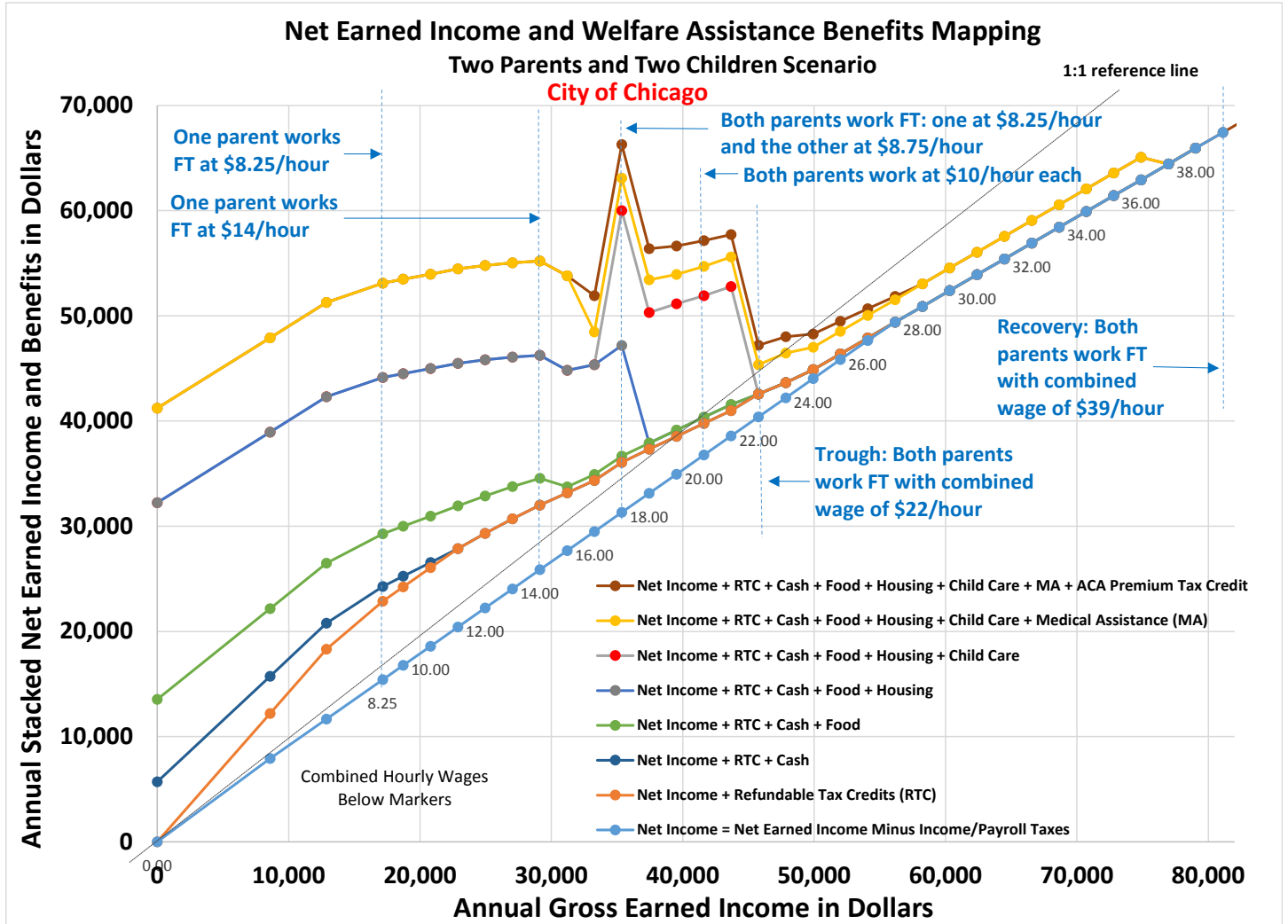


Chart 15: Net Earned Income & Welfare Benefits Mapping: 2 Parents & 2 Children Scenario: Lake County

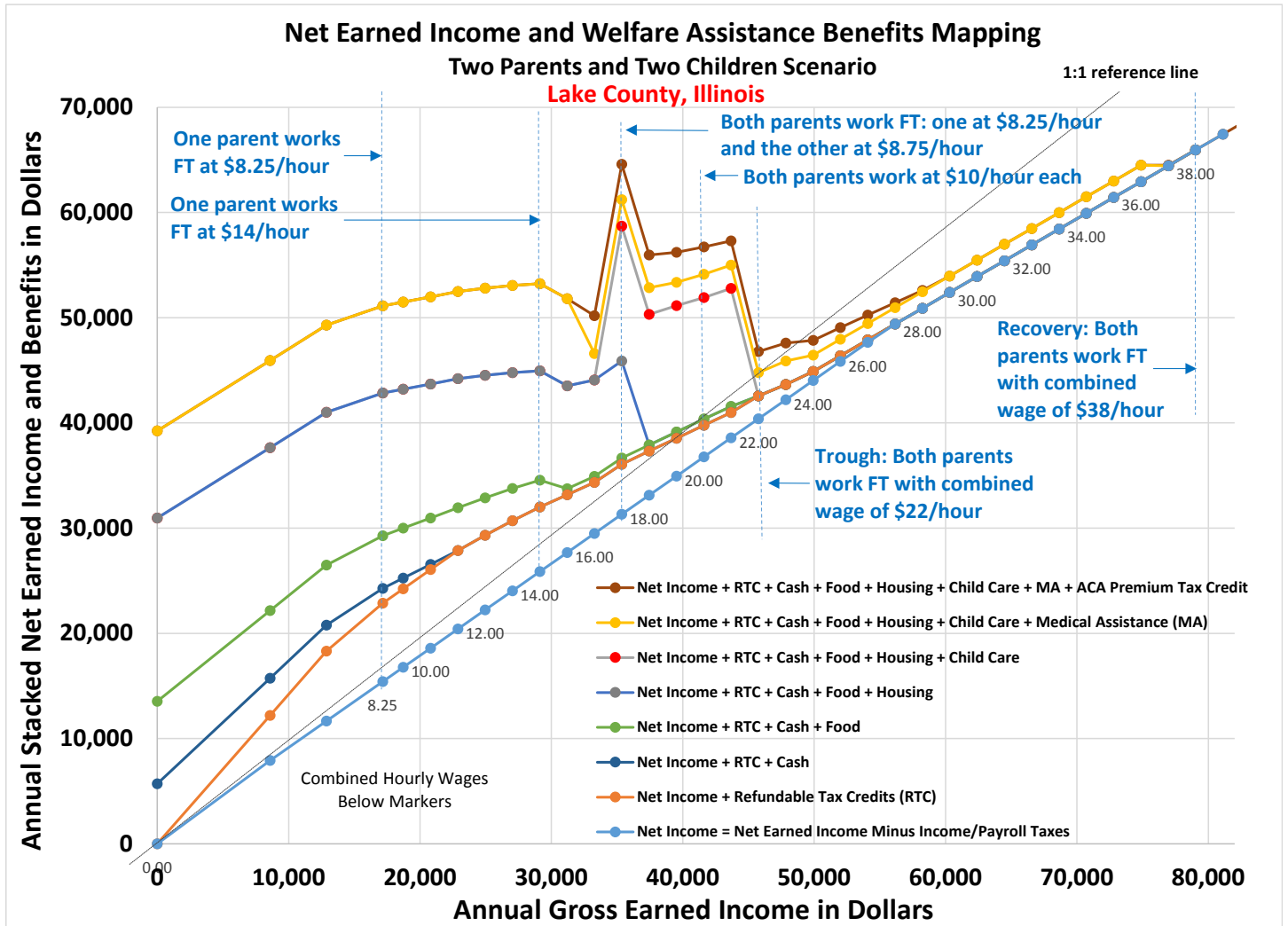


Chart 16: Net Earned Income & Welfare Benefits Mapping: 2 Parents & 2 Children Scenario: St. Clair County

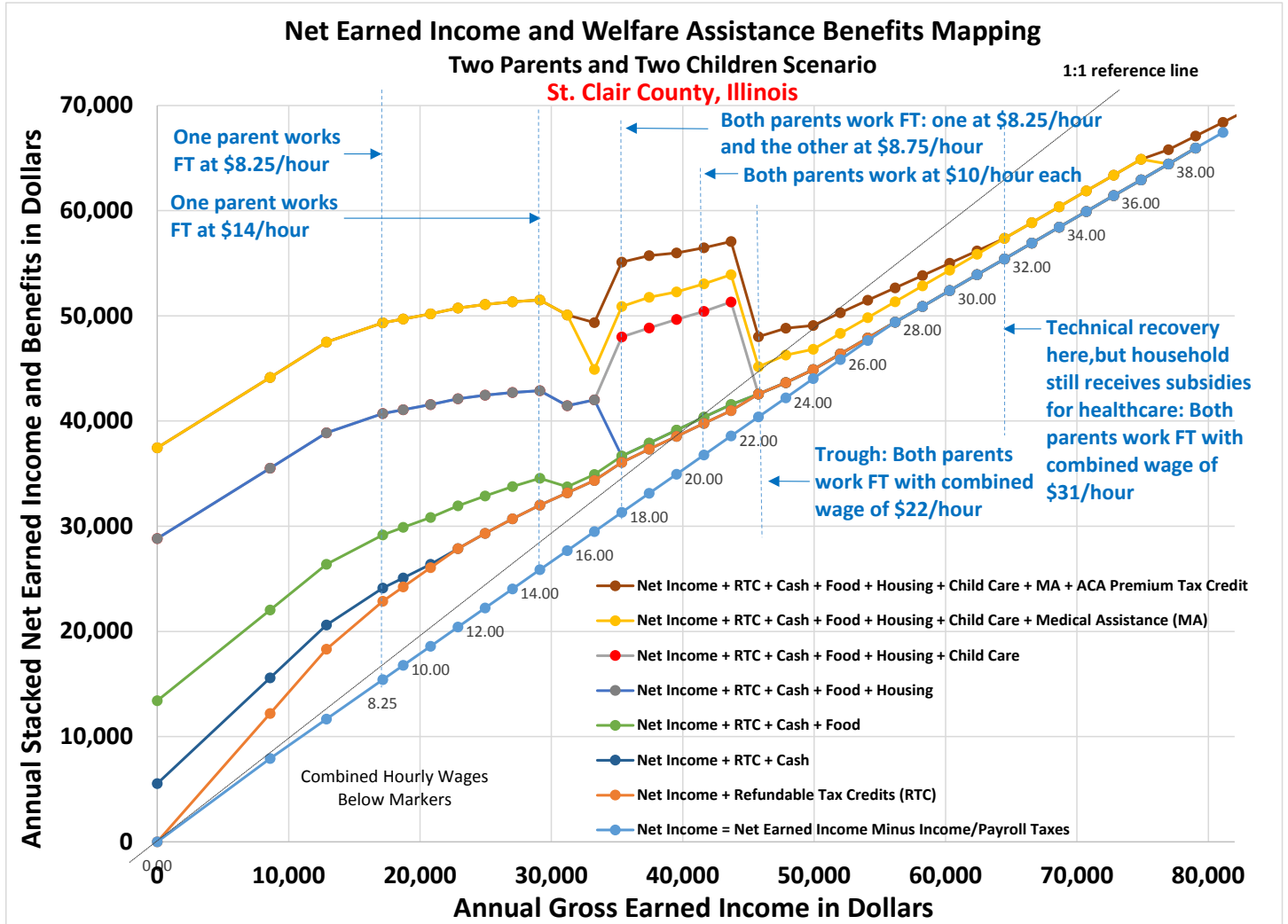


Chart 17: Net Income Tax Contribution: Single Parent & 2 Children Scenario: Cook County

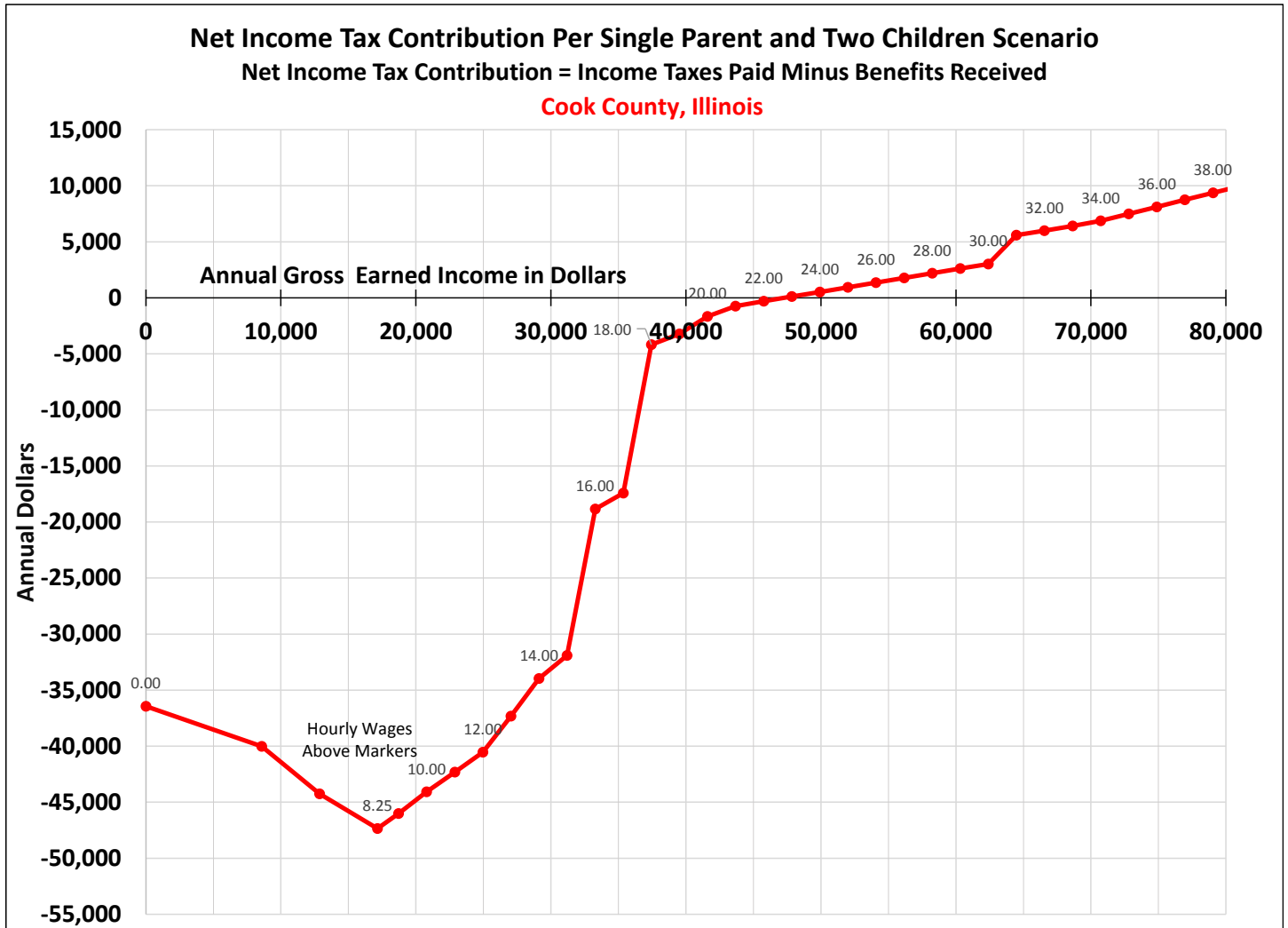


Chart 18: Net Income Tax Contribution: Single Parent & 2 Children Scenario: Chicago

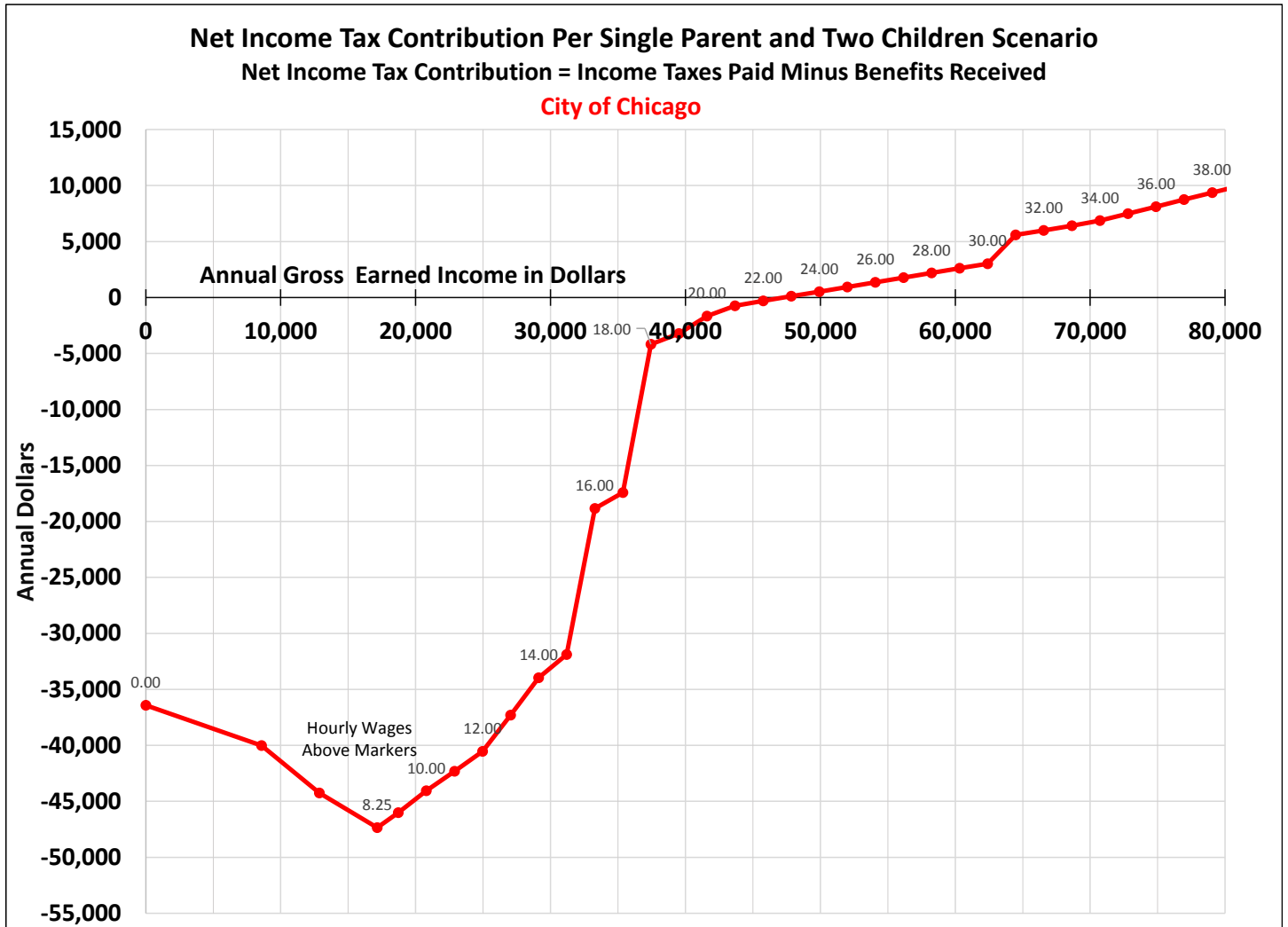


Chart 19: Net Income Tax Contribution: Single Parent & 2 Children Scenario: Lake County

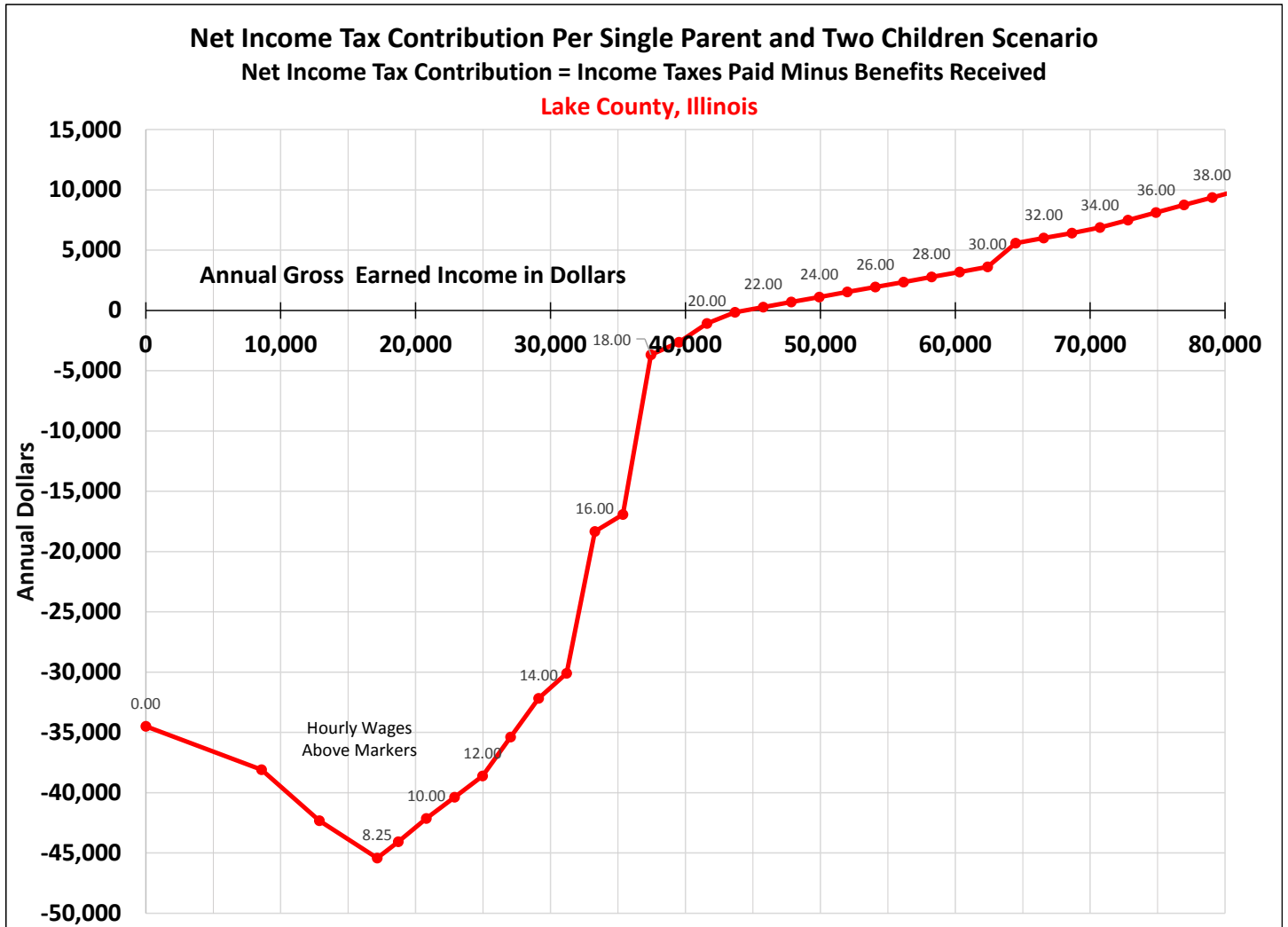


Chart 20: Net Income Tax Contribution: Single Parent & 2 Children Scenario: St. Clair County

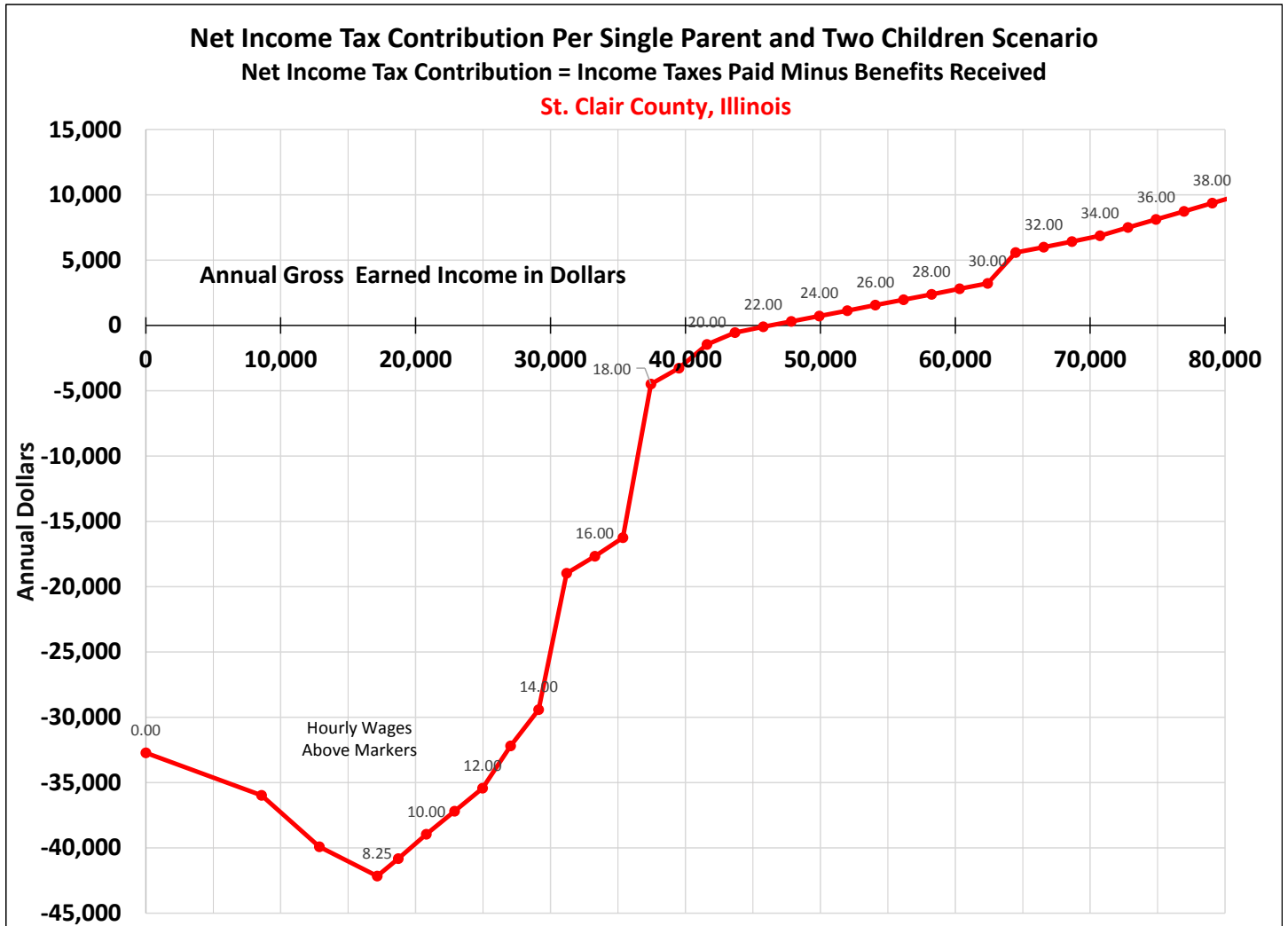


Chart 21: Net Income Tax Contribution: 2 Parents & 2 Children Scenario: Cook County

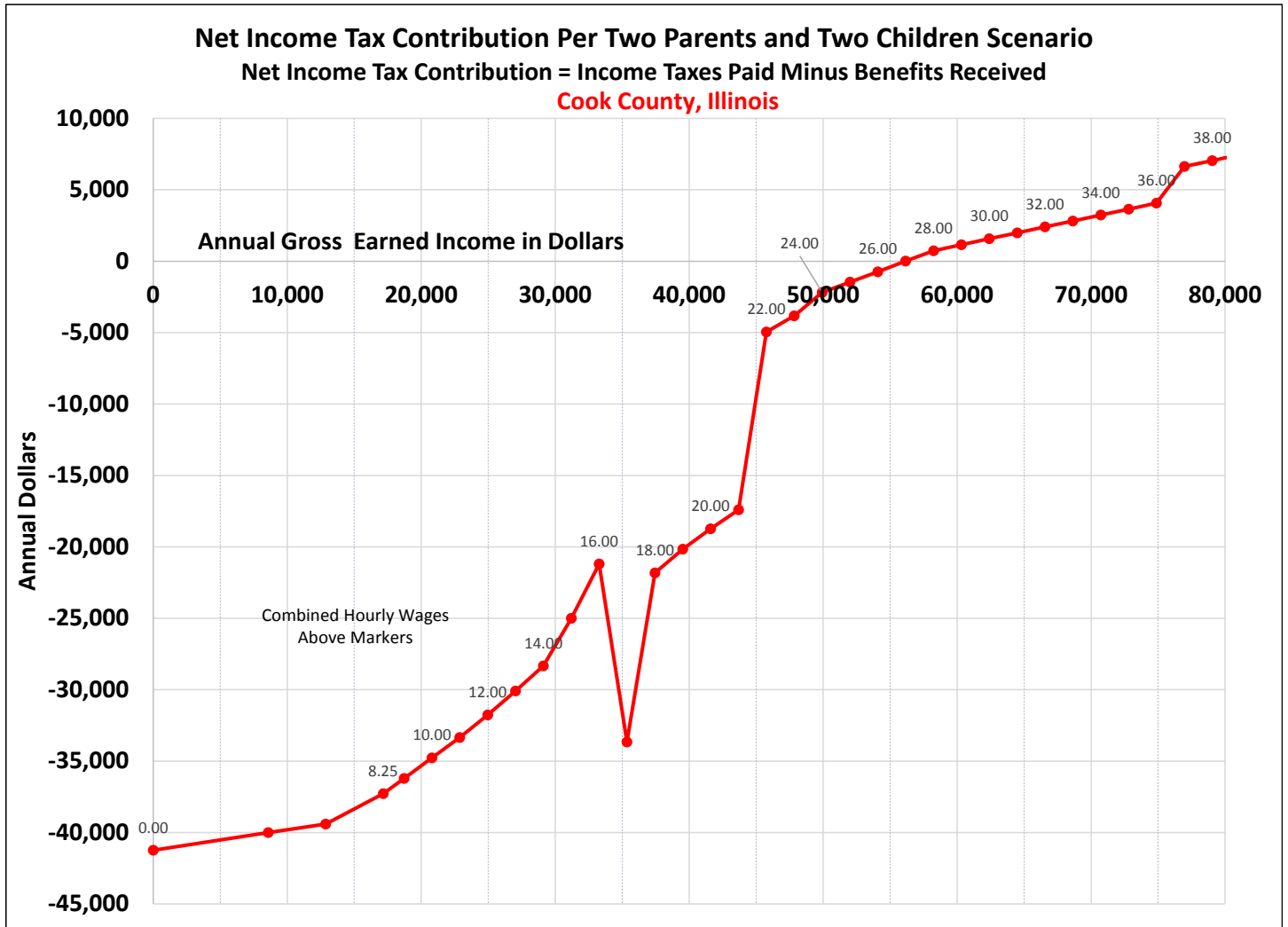


Chart 22: Net Income Tax Contribution: 2 Parents & 2 Children Scenario: Chicago

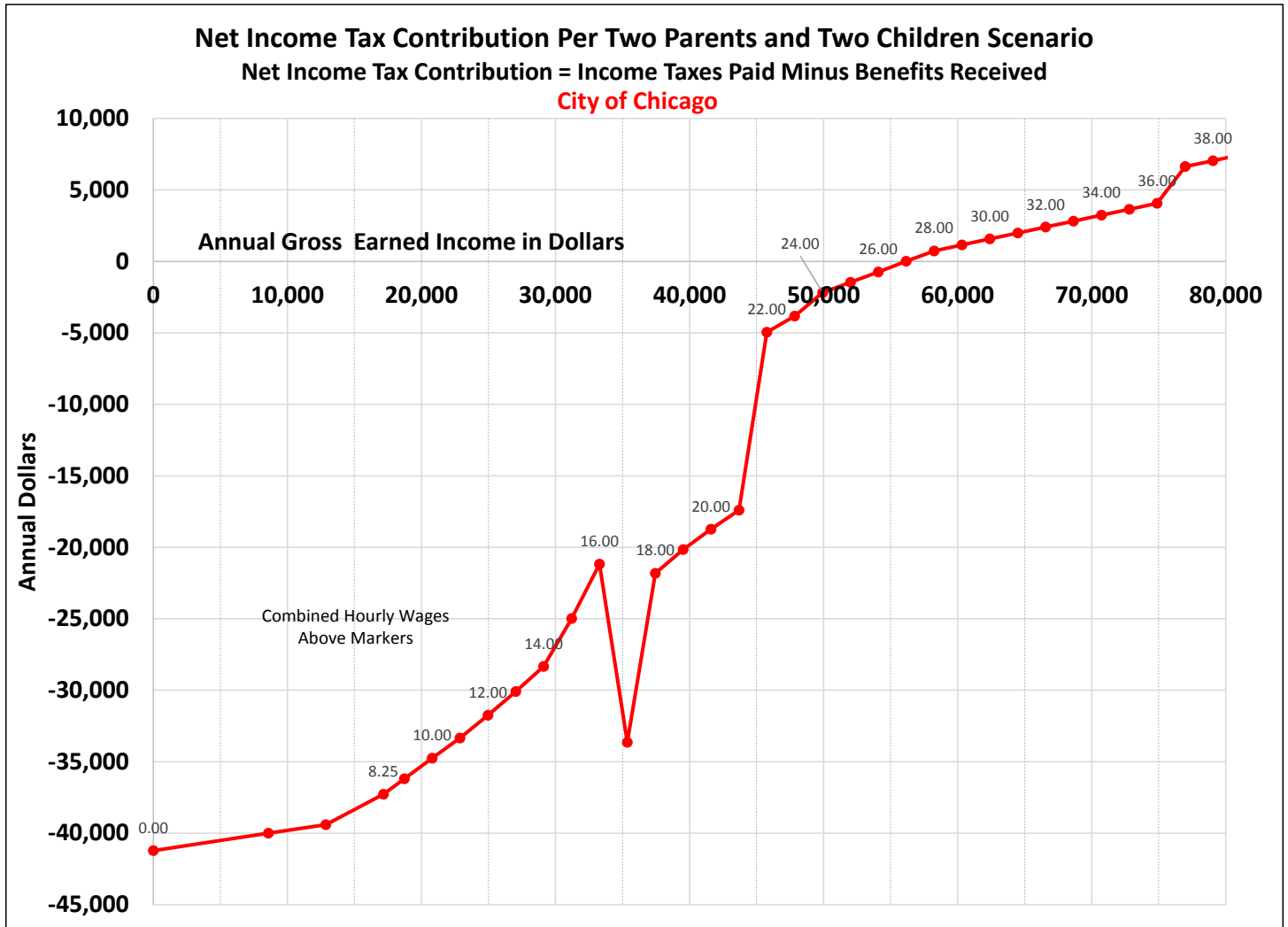


Chart 23: Net Income Tax Contribution: 2 Parents & 2 Children Scenario: Lake County

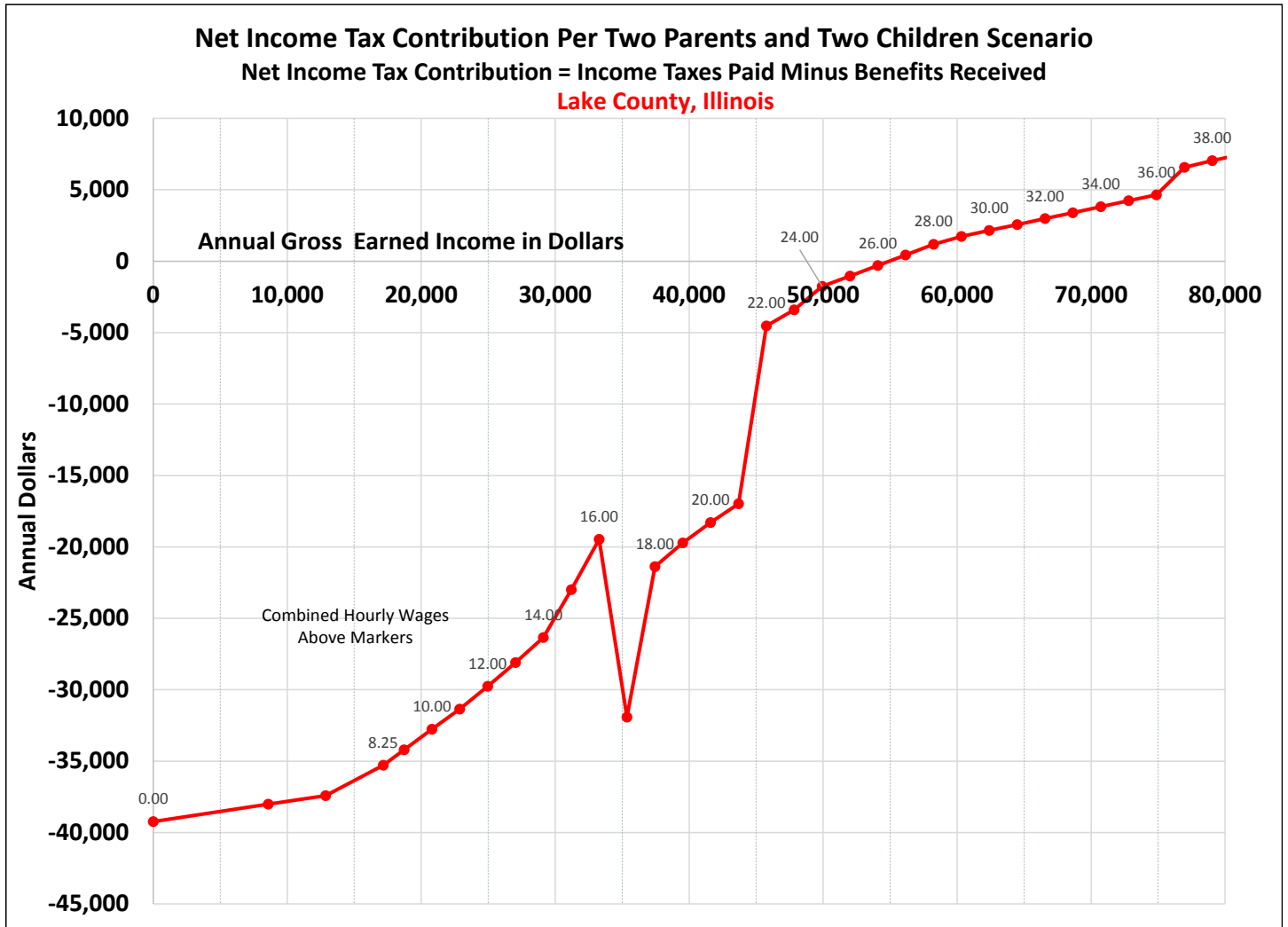
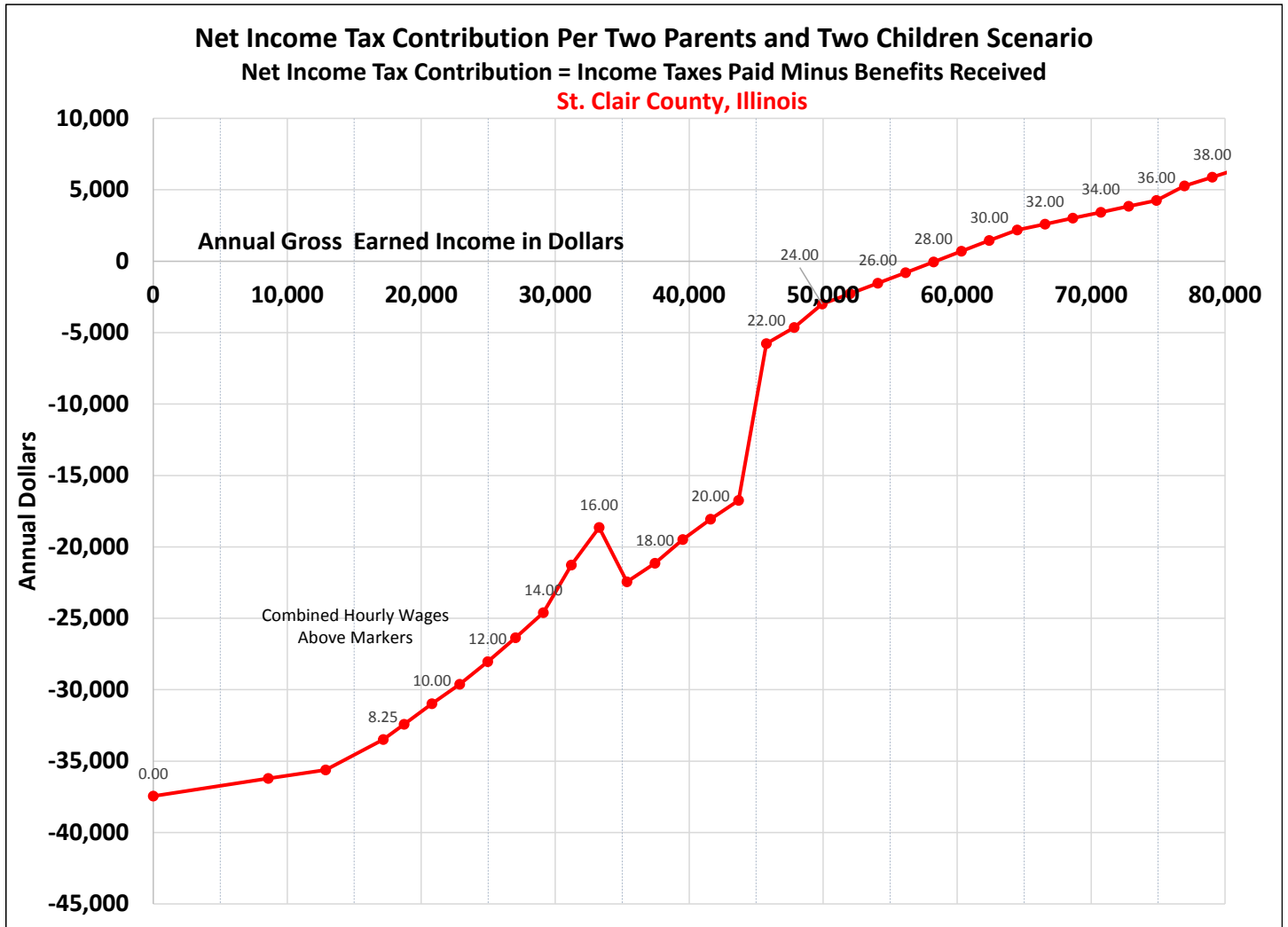


Chart 24: Net Income Tax Contribution: 2 Parents & 2 Children Scenario: St. Clair County



Appendix B: Tables

Table 1: Selected Interval Results of Single Parent & 2 Children Scenario

Interval	One Parent Household		Two Parent Household				Monthly Earned Income	Annual Gross Income	Interval	One Parent Household		Two Parent Household				Monthly Earned Income	Annual Gross Income
	Hours Worked	Hourly Wage	Parent 1 Hours Worked	Parent 1 Hourly Wage	Parent 2 Hours Worked	Parent 2 Hourly Wage				Hours Worked	Hourly Wage	Parent 1 Hours Worked	Parent 1 Hourly Wage	Parent 2 Hours Worked	Parent 2 Hourly Wage		
1	0	0.00	0	0.00	0	0.00	0	0	19	40	23.00	40	14.75	40	8.25	3,987	47,840
2	20	8.25	20	8.25	0	0.00	715	8,580	20	40	24.00	40	15.75	40	8.25	4,160	49,920
3	30	8.25	30	8.25	0	0.00	1,073	12,870	21	40	25.00	40	16.75	40	8.25	4,333	52,000
4	40	8.25	40	8.25	0	0.00	1,430	17,160	22	40	26.00	40	17.75	40	8.25	4,507	54,080
5	40	9.00	40	9.00	0	0.00	1,560	18,720	23	40	27.00	40	18.75	40	8.25	4,680	56,160
6	40	10.00	40	10.00	0	0.00	1,733	20,800	24	40	28.00	40	19.75	40	8.25	4,853	58,240
7	40	11.00	40	11.00	0	0.00	1,907	22,880	25	40	29.00	40	20.75	40	8.25	5,027	60,320
8	40	12.00	40	12.00	0	0.00	2,080	24,960	26	40	30.00	40	21.75	40	8.25	5,200	62,400
9	40	13.00	40	13.00	0	0.00	2,253	27,040	27	40	31.00	40	22.75	40	8.25	5,373	64,480
10	40	14.00	40	14.00	0	0.00	2,427	29,120	28	40	32.00	40	23.75	40	8.25	5,547	66,560
11	40	15.00	40	15.00	0	0.00	2,600	31,200	29	40	33.00	40	24.75	40	8.25	5,720	68,640
12	40	16.00	40	16.00	0	0.00	2,773	33,280	30	40	34.00	40	25.75	40	8.25	5,893	70,720
13	40	17.00	40	8.75	40	8.25	2,947	35,360	31	40	35.00	40	26.75	40	8.25	6,067	72,800
14	40	18.00	40	9.75	40	8.25	3,120	37,440	32	40	36.00	40	27.75	40	8.25	6,240	74,880
15	40	19.00	40	10.75	40	8.25	3,293	39,520	33	40	37.00	40	28.75	40	8.25	6,413	76,960
16	40	20.00	40	11.75	40	8.25	3,467	41,600	34	40	38.00	40	29.75	40	8.25	6,587	79,040
17	40	21.00	40	12.75	40	8.25	3,640	43,680	35	40	39.00	40	30.75	40	8.25	6,760	81,120
18	40	22.00	40	13.75	40	8.25	3,813	45,760	36	40	40.00	40	31.75	40	8.25	6,933	83,200

Table 2: Varying Assumptions

Varying Assumptions for Scenarios			
	Dad in Household?	Family Size	Location
Scenario 1	No	3	Cook County, City of Chicago,
Scenario 2	Yes	4	Lake County, or St. Clair County

Table 3: Constant Assumptions

Constant Assumptions for All Scenarios					
	Age	Sex	Pregnant	In School?	Child Care Setting
Mom	30	Female	No		
Child 1	10	Female		Yes	Licensed Day Care Center
Child 2	2	Male		No	Licensed Day Care Center

Table 4: Selected Interval Results of Single Parent & 2 Children Scenario

Hourly Wage	\$0.00				\$8.25				\$10.00				\$12.00			
Annual Gross Earned Income	\$0				\$17,160				\$20,800				\$24,960			
	Cook County	City of Chicago	Lake County	St. Clair County	Cook County	City of Chicago	Lake County	St. Clair County	Cook County	City of Chicago	Lake County	St. Clair County	Cook County	City of Chicago	Lake County	St. Clair County
Net Earned Income	0	0	0	0	15,308	15,308	15,308	15,308	18,488	18,488	18,488	18,488	22,121	22,121	22,121	22,121
Refundable Tax Credits	0	0	0	0	7,460	7,460	7,460	7,460	6,840	6,840	6,840	6,840	5,956	5,956	5,956	5,956
Cash Assistance	5,184	5,184	5,184	5,004	894	894	894	714	0	0	0	0	0	0	0	0
Food Assistance	6,326	6,326	6,326	6,386	3,650	3,650	3,650	3,710	3,158	3,158	3,158	3,158	2,306	2,306	2,306	2,306
Housing Assistance	18,882	18,871	17,579	15,563	15,175	15,165	13,873	11,857	14,467	14,456	13,164	11,094	13,363	13,352	12,060	9,990
Child Care Assistance	0	0	0	0	14,672	14,672	14,672	13,195	14,288	14,288	14,288	12,811	13,808	13,808	13,808	12,331
Medical Assistance	6,043	6,043	5,404	5,768	6,043	6,043	5,404	5,768	6,043	6,043	5,404	5,768	6,043	6,043	5,404	5,768
ACA Premium Tax Credit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Benefits	36,435	36,424	34,493	32,721	47,894	47,883	45,952	42,704	44,796	44,785	42,854	39,671	41,476	41,465	39,534	36,351
Net Earned Income + Benefits	36,435	36,424	34,493	32,721	63,202	63,191	61,260	58,012	63,283	63,272	61,341	58,159	63,597	63,586	61,655	58,473
Hourly Wage	\$15.00				\$18.00				\$21.00				\$24.00			
Annual Gross Earned Income	\$31,200				\$37,440				\$43,680				\$49,920			
	Cook County	City of Chicago	Lake County	St. Clair County	Cook County	City of Chicago	Lake County	St. Clair County	Cook County	City of Chicago	Lake County	St. Clair County	Cook County	City of Chicago	Lake County	St. Clair County
Net Earned Income	27,572	27,572	27,572	27,572	33,023	33,023	33,023	33,023	38,473	38,473	38,473	38,473	43,426	43,426	43,426	43,426
Refundable Tax Credits	4,221	4,221	4,221	4,221	2,888	2,888	2,888	2,888	456	456	456	456	0	0	0	0
Cash Assistance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Food Assistance	585	585	585	585	0	0	0	0	0	0	0	0	0	0	0	0
Housing Assistance	11,764	11,754	10,462	0	0	0	0	0	0	0	0	0	0	0	0	0
Child Care Assistance	12,896	12,896	12,896	11,419	0	0	0	0	0	0	0	0	0	0	0	0
Medical Assistance	2,806	2,806	2,224	2,610	2,806	2,806	2,224	2,610	2,146	2,146	1,564	1,950	2,146	2,146	1,564	1,950
ACA Premium Tax Credit	868	868	952	1,372	40	616	124	544	0	0	0	0	0	0	0	0
Total Benefits	33,139	33,129	31,339	20,207	5,734	6,309	5,236	6,042	2,602	2,602	2,020	2,406	2,146	2,146	1,564	1,950
Net Earned Income + Benefits	60,711	60,701	58,911	47,779	38,757	39,332	38,259	39,065	41,075	41,075	40,494	40,879	45,572	45,572	44,990	45,376

Table 5: Selected Interval Results of 2 Parents & 2 Children Scenario

Parent 1: Hourly Wage	\$0.00				\$8.25				\$10.00				\$14.00			
Parent 2: Hourly Wage	\$0.00				\$0.00				\$0.00				\$0.00			
Combined Wage	\$0.00				\$8.25				\$10.00				\$14.00			
Annual Gross Earned Income	\$0				\$17,160				\$20,800				\$0			
	Cook County	City of Chicago	Lake County	St. Clair County	Cook County	City of Chicago	Lake County	St. Clair County	Cook County	City of Chicago	Lake County	St. Clair County	Cook County	City of Chicago	Lake County	St. Clair County
Net Earned Income	0	0	0	0	15,414	15,414	15,414	15,414	18,594	18,594	18,594	18,594	25,861	25,861	25,861	25,861
Refundable Tax Credits	0	0	0	0	7,460	7,460	7,460	7,460	7,460	7,460	7,460	7,460	6,133	6,133	6,133	6,133
Cash Assistance	5,688	5,688	5,688	5,532	1,398	1,398	1,398	1,242	488	488	488	332	0	0	0	0
Food Assistance	7,838	7,838	7,838	7,886	5,006	5,006	5,006	5,054	4,406	4,406	4,406	4,454	2,558	2,558	2,558	2,558
Housing Assistance	18,730	18,720	17,428	15,405	14,869	14,859	13,567	11,544	14,050	14,040	12,748	10,725	11,701	11,690	10,398	8,328
Child Care Assistance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Medical Assistance	8,980	8,980	8,283	8,626	8,980	8,980	8,283	8,626	8,980	8,980	8,283	8,626	8,980	8,980	8,283	8,626
ACA Premium Tax Credit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Benefits	41,237	41,226	39,237	37,449	37,714	37,703	35,714	33,926	35,385	35,374	33,385	31,597	29,372	29,361	27,372	25,645
Net Earned Income + Benefits	41,237	41,226	39,237	37,449	53,128	53,117	51,128	49,340	53,979	53,968	51,979	50,191	55,234	55,223	53,234	51,507
Parent 1: Hourly Wage	\$8.75				\$11.75				\$13.75				\$15.75			
Parent 2: Hourly Wage	\$8.25				\$8.25				\$8.25				\$8.25			
Combined Wage	\$17.00				\$20.00				\$22.00				\$24.00			
Annual Gross Earned Income	\$32,752				\$0				\$0				\$0			
	Cook County	City of Chicago	Lake County	St. Clair County	Cook County	City of Chicago	Lake County	St. Clair County	Cook County	City of Chicago	Lake County	St. Clair County	Cook County	City of Chicago	Lake County	St. Clair County
Net Earned Income	31,312	31,312	31,312	31,312	36,763	36,763	36,763	36,763	40,396	40,396	40,396	40,396	44,030	44,030	44,030	44,030
Refundable Tax Credits	4,763	4,763	4,763	4,763	3,019	3,019	3,019	3,019	2,163	2,163	2,163	2,163	850	850	850	850
Cash Assistance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Food Assistance	585	585	585	585	585	585	585	585	0	0	0	0	0	0	0	0
Housing Assistance	10,542	10,531	9,239	0	0	0	0	0	0	0	0	0	0	0	0	0
Child Care Assistance	12,812	12,812	12,812	11,335	11,540	11,540	11,540	10,063	0	0	0	0	0	0	0	0
Medical Assistance	3,106	3,106	2,524	2,910	2,806	2,806	2,224	2,610	2,806	2,806	2,224	2,610	2,146	2,146	1,564	1,950
ACA Premium Tax Credit	3,191	3,191	3,347	4,199	2,434	2,434	2,590	3,442	1,845	1,845	2,001	2,853	1,254	1,254	1,410	2,262
Total Benefits	34,998	34,987	33,270	23,792	20,383	20,383	19,958	19,719	6,814	6,814	6,388	7,626	4,249	4,249	3,824	5,062
Net Earned Income + Benefits	66,310	66,299	64,582	55,104	57,146	57,146	56,720	56,481	47,210	47,210	46,785	48,022	48,279	48,279	47,854	49,092

Table 6: Critical Indicators of Single Parent & 2 Children Scenario

	Cook County					City of Chicago				
	Interval	Hourly Wage	Gross Earned Income	Potential Benefits	Net Income + Potential Benefits	Interval	Hourly Wage	Gross Earned Income	Potential Benefits	Net Income + Potential Benefits
Maximum Potential Benefits	4	8.25	17,160	47,894	63,202	4	8.25	17,160	47,883	63,191
Peak in Net Income + Benefits Before the Welfare Cliff	8	12.00	24,960	41,476	63,597	8	12.00	24,960	41,465	63,586
Trough in Net Income + Benefits After the Welfare Cliff	14	18.00	37,440	5,734	38,757	14	18.00	37,440	5,734	38,757
Change from Peak to Trough			12,480	-35,742	-24,840			12,480	-35,731	-24,830
Recovery	34	38.00	79,040	0	63,625	34	38.00	79,040	0	63,625
Maximum Potential Benefits Less Income Taxes Paid	4	8.25	17,160	47,894	63,202	4	8.25	17,160	47,883	63,191
Breakeven Point for Paying More in Income Taxes than Benefits Received	19	23.00	47,840	2,146	44,067	19	23.00	47,840	2,146	44,067
	Lake County					St. Clair County				
	Interval	Hourly Wage	Gross Earned Income	Potential Benefits	Net Income + Potential Benefits	Interval	Hourly Wage	Gross Earned Income	Potential Benefits	Net Income + Potential Benefits
Maximum Potential Benefits	4	8.25	17,160	45,952	61,260	4	8.25	17,160	42,704	58,012
Peak in Net Income + Benefits Before the Welfare Cliff	8	12.00	24,960	39,534	61,655	8	12.00	24,960	36,351	58,473
Trough in Net Income + Benefits After the Welfare Cliff	14	18.00	37,440	5,236	38,259	14	18.00	37,440	6,042	39,065
Change from Peak to Trough			12,480	-34,297	-23,396			12,480	-30,309	-19,408
Recovery	33	37.00	76,960	0	62,328	31	35.00	72,800	0	59,735
Maximum Potential Benefits Less Income Taxes Paid	4	8.25	17,160	45,952	61,260	4	8.25	17,160	42,704	58,012
Breakeven Point for Paying More in Income Taxes than Benefits Received	18	22.00	45,760	1,690	41,980	19	23.00	47,840	1,950	43,871

Table 7: Critical Indicators of Single Parent & 2 Children Scenario

	Cook County							City of Chicago						
	Interval	Parent 1 Hourly Wage	Parent 2 Hourly Wage	Combined Hourly Wage	Gross Earned Income	Potential Benefits	Net Income + Potential Benefits	Interval	Parent 1 Hourly Wage	Parent 2 Hourly Wage	Combined Hourly Wage	Gross Earned Income	Potential Benefits	Net Income + Potential Benefits
Maximum Potential Benefits	1	-	-	-	0	41,237	41,237	1	-	-	-	0	41,226	41,226
Peak in Net Income + Benefits Before the Welfare Cliff	13	8.75	8.25	17.00	35,360	34,998	66,310	13	8.75	8.25	17.00	35,360	34,987	66,299
Trough in Net Income + Benefits After the Welfare Cliff	18	13.75	8.25	22.00	45,760	6,814	47,210	18	13.75	8.25	22.00	45,760	6,814	47,210
Change from Peak to Trough					10,400	-28,184	-19,100					10,400	-28,174	-19,089
Recovery	35	30.75	8.25	39.00	81,120	0	67,453	35	30.75	8.25	39.00	81,120	0	67,453
Maximum Potential Benefits Less Income Taxes Paid	1	-	-	-	0	41,237	41,237	1	-	-	-	0	41,226	41,226
Breakeven Point for Paying More in Income Taxes than Benefits Received	23	18.75	8.25	27.00	56,160	2,460	51,854	23	18.75	8.25	27.00	56,160	2,460	51,854
	Lake County							St. Clair County						
Maximum Potential Benefits	1	-	-	-	0	39,237	39,237	1	-	-	-	0	37,449	37,449
Peak in Net Income + Benefits Before the Welfare Cliff	13	8.75	8.25	17.00	35,360	33,270	64,582	17	12.75	8.25	21.00	43,680	18,497	57,076
Trough in Net Income + Benefits After the Welfare Cliff	18	13.75	8.25	22.00	45,760	6,388	46,785	18	13.75	8.25	22.00	45,760	7,626	48,022
Change from Peak to Trough					10,400	-26,882	-17,797					2,080	-10,871	-9,054
Recovery	34	29.75	8.25	38.00	79,040	0	65,948	27	22.75	8.25	31.00	64,480	1,950	57,364
Maximum Potential Benefits Less Income Taxes Paid	1	-	-	-	0	39,237	39,237	1	-	-	-	0	37,449	37,449
Breakeven Point for Paying More in Income Taxes than Benefits Received	23	18.75	8.25	27.00	56,160	2,034	51,428	25	20.75	8.25	29.00	60,320	2,603	55,007

■ Appendix C: Eligibility Rules, Responsibilities and Sources

Earned Income Tax Credit (EITC)

The Earned Income Tax Credit (EITC), or the Earned Income Credit (EIC), is a federal refundable tax credit designed to increase as earned income increases to a predetermined threshold, remains constant to a second threshold and then it tapers off until the taxpayer earns too much to qualify. The EITC is designed in a way that always encourages the taxpayer to earn more income. Illinois has its own EITC, which is simply 10 percent of the federal level.

The Internal Revenue Service provides in the instructions for Form 1040 a table to look up the amount of the EITC based on an amount on a worksheet provided in the instructions. The amount is equal to earned income (Form 1040, line 7) minus taxable scholarships, amount received from work performed as an inmate at a penal institution, amounts from qualified pensions or annuities, plus any nontaxable combat pay. It is assumed for this paper that those adjustments are equal to zero, thus the amount of earned income becomes the amount used to look up the EITC. If the earned income equals the total adjusted income as found on line 38 of the Form 1040, then this becomes the EITC. Because this model does not assume any special adjustments to income, then this is the value that is used.

Had there been adjustments to earned income, then the taxpayer would have been subject to an income limit test. If the taxpayer were below that limit, the EITC would be the same. If the taxpayer were over that limit, then a new EITC value from the table would be derived based on adjusted earned income (Line 38 of Form 1040).

Source: IRS, 1040 Instructions (2013), pages 51 - 67, especially pages 54 (Step 5) and 56 (Worksheet A). <http://www.irs.gov/pub/irs-pdf/f1040.pdf>

Additional Child Tax Credit (ACTC)

The Additional Child Tax Credit is a federal refundable tax credit that helps taxpayers who have children and do not make enough income to qualify for the full value of the Child Tax Credit, that is, these taxpayers will have no tax liability after the Child Tax Credit is applied. The ACTC increases in value until a predetermined level and thereafter compensates the taxpayer to receive an amount equal to the difference between the full value of the Child Tax Credit and the amount of the Child Tax Credit the taxpayer was actually able to claim.

The calculation is based on IRS Form 8812. Lines 1 through 3 simply calculate the difference between the potential child tax credit that can be taken and the amount that was taken on line 51 of Form 1040. The potential child tax credit is based on the Child Tax Credit Worksheet – Line 51 on page 45 of IRS 1040 instructions. Because the incomes for the scenarios are below the income limits for the reduced amount of the child tax credit, the potential amount is the maximum amount that is allowable, i.e., lines 1 and 6 of the worksheet are the same.

Line 4a of Form 8812 is earned income. Based on the Earned Income Chart on page 2 of the instructions for Form 8812, it is the same as the earned income used for the EITC (see above).

Line 5 establishes a minimum earned income of \$3,000 and if more than \$3,000, then earned income becomes the earned income on Line 4a minus \$3,000. Line 6 is simply 15 percent multiplied by the amount on Line 5.

The ACTC then becomes either Line 6 or Line 3, whichever is smaller, which is entered on Line 13. Because the scenarios in the model have less than three or more qualifying children, it is unnecessary to fill out lines 7 -12 in Part III of Form 8812.

Sources: IRS, 1040 instructions (2013), page 45, IRS Form 8812 (2013) and 2013 instructions for Schedule 8812. <http://www.irs.gov/pub/irs-pdf/f1040.pdf>, <http://www.irs.gov/pub/irs-pdf/f1040s8.pdf> and <http://www.irs.gov/pub/irs-pdf/i1040s8.pdf>

Temporary Assistance for Needy Families (TANF)

The Temporary Assistance for Needy Families (TANF) program is a federal block grant program for the states, created in 1996 by the Personal Responsibility and Work Opportunity Act. Each state runs its own program within the guidelines of federal law and regulations. States are required to maintain spending levels of its own funds for the program, known as Maintenance of Effort (MOE). While the program provides an assortment of supportive services, including job training, the focus in this report is the cash grant aspect of the program.

Income for purposes of TANF is defined by the Illinois Cash, SNAP and Medical Manual (WAG 08). It includes all earned income but excludes the EITC (PM 08-01-01-g: Earned Income Credit [EIC] Payments). Note that no reference was found in the manual for the Additional Child Tax Credit, but conversations with policy staff at the department revealed that the other refundable tax credits are treated as lump sum payments and do not count toward income. There is a three-quarter income deduction and child care payments are made in most cases directly to the provider, so there is normally no child care disregard. See PM 08-01-02-d: Adult/Teen/Child Care Disregard.

Cash benefit is calculated using the example provided in WAG 10-02-02-d: Budgeting Examples, where the cash benefit is equal to the payment level minus the nonexempt income, which is gross earned income minus the three-quarter earned income disregard.

Source: the Illinois Cash, SNAP and Medical Manual:

WAG 08: Income. <http://www.dhs.state.il.us/page.aspx?item=15188>

PM 08-01-02-c: 3/4 Earned Income Deduction. <http://www.dhs.state.il.us/page.aspx?item=15232>

PM 08-01-02-d: Adult/Teen/Child Care Disregard. <http://www.dhs.state.il.us/page.aspx?item=15234>

WAG 10-02-02-d: Budgeting Examples. <http://www.dhs.state.il.us/page.aspx?item=15866>

Supplemental Nutrition Assistance Program (SNAP)

Formerly called the Food Stamp program, the Supplemental Nutrition Assistance Program provides benefits for the purchase of food items for low-income households. SNAP is a federal program but states administer the program. All SNAP benefits are paid for by the federal government, but administrative costs are split between the state and federal government.

SNAP Gross Income includes earned income plus non-earned income, less any court-ordered child support. See PM 08-04-04-c: Assistance Payments and PM 08-04-04-i: Other Income and WAG 13-01-07: Child Support Deduction. For the scenarios being considered, the only non-earned income would be cash assistance. EITC is specifically exempt by Federal Statute. See PM 08-04-04-v: Exempt by Federal Statute. Conversations with policy staff verified that ACTC and Illinois EITC are treated as lump sum payments and not counted toward income.

SNAP Net Income (PM 13-01-01-b: Net Monthly Income) equals SNAP Gross Income minus the earned income deduction, a standard deduction (WAG 13-01-04: Standard Deduction) and allowable expenses, which are dependent care costs (WAG 13-01-06: Dependent Care Deduction), Medical Deductions (AG 13-01-05: Standard Medical Deductions) and excess shelter costs. It is assumed that there are no medical deductions, especially since the household likely would be on FamilyCare and All Kids. The earned income deduction is equal to 20 percent of the earned income (WAG 13-01-02-a: Earned Income). If shelter costs exceed one-half of the adjusted income (see WAG 13-01-08: Excess Shelter Deduction), that is considered to be excess shelter costs, up to a monthly maximum of \$478. Participants in TANF have broad-based categorical eligibility. SNAP benefits are determined by subtracting 30 percent of the net income from the SNAP maximum payment standard. See WAG 25-06-05: Historical SNAP Benefit Data.

Source: the Illinois Cash, SNAP and Medical Manual:

PM 08-04-04-c: Assistance Payments. <http://www.dhs.state.il.us/page.aspx?item=15627>

PM 08-04-04-i: Other Income. <http://www.dhs.state.il.us/page.aspx?item=15641>

PM 08-04-04-v: Exempt By Federal Statute. <http://www.dhs.state.il.us/page.aspx?item=15672>

WAG 13-01-02-a: Earned Income. <http://www.dhs.state.il.us/page.aspx?item=16128>

WAG 13-01-08: Excess Shelter Deduction. <http://www.dhs.state.il.us/page.aspx?item=16165>

WAG 13-01-06: Dependent Care Deduction. <http://www.dhs.state.il.us/page.aspx?item=16158>

WAG 13-01-04: Standard Deduction. <http://www.dhs.state.il.us/page.aspx?item=16140>

WAG 13-01-07: Child Support Deduction. <http://www.dhs.state.il.us/page.aspx?item=16162>

AG 13-01-05: Standard Medical Deductions. <http://www.dhs.state.il.us/page.aspx?item=16142>

PM 13-01-01-b: Net Monthly Income. <http://www.dhs.state.il.us/page.aspx?item=16120>

WAG 25-06-05: Historical SNAP Benefit Data. <http://www.dhs.state.il.us/page.aspx?item=21862>

See also USDA Chart on Broad-Based Categorical Eligibility. <http://www.fns.usda.gov/sites/default/files/snap/BBCE.pdf>

Women, Infant and Children (WIC) Program

The Women, Infant and Children program is a federal program administered by the states, whereby each state receives funding to provide services and food packages. If there is insufficient federal money for the food packages, the state must have policy to deal with the shortfall, whether to appropriate state dollars, cut back on the plan, or to limit the number of recipients.

WIC eligibility is limited to infants up to the first birthday, children up to the fifth birthday and women who are pregnant, postpartum up to six months, or breastfeeding up to one year of a child's age. WIC provides adjunctive income eligibility to family members who receive TANF, SNAP, or Medicaid. Otherwise, the federal program allows states to choose income eligibility to be from 100 percent the Federal Poverty Level (FPL), also known as the Federal Poverty Income Guideline (FPIG), to 185 percent of FPL. Illinois has chosen 185 percent. Also, WIC income is counted the same as the SNAP program.

The value of the WIC food benefit is calculated using the most recent average food cost per person, as published by the USDA, FNS. These can vary year-to-year based on market price fluctuations.

Sources:

United States Department of Agriculture, Food and Nutrition Service, WIC Eligibility Requirements (<http://www.fns.usda.gov/wic/wic-eligibility-requirements>) and Average Food Cost Per Person available at <http://www.fns.usda.gov/pd/wic-program>. Also, Illinois Department of Human Services, Illinois WIC Policy and Procedure Manual. (Not available online.)

National School Lunch Program (NSLP) and the School Breakfast Program (SBP)

The National School Lunch Program (NSLP) and the School Breakfast Program (SBP) are federal programs that funnel funds for breakfasts, snacks and lunches for school children

through state departments of education to school districts. States are required to provide 30 percent matching funds. See 7 CFR Part 210, Subpart D – Requirement for State Agency Participation, §201.17 Matching Federal Funds.

These programs provide free breakfasts, lunches and snacks for children in households up to 130 percent of FPL and then reduced meals for those up to 185 percent of FPL. Income is defined as earned income and include public assistance and welfare payments, which is the same as the SNAP requirement. TANF and SNAP participants are categorically eligible. The subsidies are based on a per meal basis once eligibility is confirmed.

Sources:

Child Nutrition Programs, Food and Nutrition Service, USDA, Eligibility Manual for School Meals: Determining and Verifying Eligibility, August 2014. <http://www.fns.usda.gov/sites/default/files/cn/EliiMan.pdf>

National School Lunch Program Fact Sheet. <http://www.fns.usda.gov/sites/default/files/NSLPFactSheet.pdf>

School Breakfast Program Fact Sheet. <http://www.fns.usda.gov/sites/default/files/SBPfactsheet.pdf>

Federal Regulations 7 CFR Part 210. http://www.fns.usda.gov/sites/default/files/7CFR210_2014.pdf

Federal Register/Vol. 79, No. 136, Wednesday, July 16, 2014, Notices. <http://www.fns.usda.gov/sites/default/files/cn/NAPs14-15.pdf>

Federal Register/ Vol. 79, No. 43 Wednesday, March 5, 2014. <http://www.fns.usda.gov/sites/default/files/2014-04788.pdf>

Housing Choice Voucher (HVC) Program

The federal Department of Housing and Urban Development (HUD) oversees the Housing Choice Voucher program, which are administered by housing authorities. HVC is funded totally by the federal government. Although housing authorities are creatures of state law, their funding sources are almost exclusively from the federal government and consequently program rules are dictated by federal law and regulations.

The process for determining the subsidy is explained in the Housing Choice Voucher Program Guidebook. Income includes earned income, child support and cash assistance. SNAP and EITC benefits are specifically excluded. See Exhibit 502, pp. 5-14 to 5-16 in the Guidebook.

Calculating the subsidy is covered in Chapter 6 of the Guidebook. Income limits are based on 50 percent median income of the county. Gross income is then adjusted for out-of-pocket child care expenses and child deductions. The tenant payment is calculated based on the greater of 10 percent of gross income or 30 percent of adjusted income, subject to an affordability test of 40 percent of adjusted income. The estimated rents are determined by standard payment schedules based on fair market rent data. Housing authorities

have flexibility to adjust income and payment standards within prescribed margins. In addition, tenants receive utility allowances, which are determined by housing authorities and HUD provides no specifications for those determinations. The subsidy is equal to the standard payment plus utility allowances minus the required tenant payment.

Source: Housing Choice Voucher Program Guidebook: http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hcv/forms/guidebook

Chapter 5 of the Guidebook: http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_11750.pdf

Chapter 6 of the Guidebook: http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_11749.pdf

Child-care Services

Child-care services are jointly funded by state and federal governments. The federal Administration for Children and Families provides states grants from the Child Care Development Fund and each state must submit a state plan for approval in order to receive the federal funds.

The Child Care Program Manual is the source for income eligibility, copayment responsibilities and payment rates that are made to the provider. Income is defined as earned income including welfare payments. It excludes SNAP and other food benefits and any tax refund, such as EITC. TANF participants are categorically eligible if they work or are enrolled in education or training. The subsidy is simply the payment rate minus the copayment responsibility of the recipient.

Source: Child Care Policy Manual. <http://www.dhs.state.il.us/page.aspx?item=9877>

01.02.02 - Non-Exempt Income. <http://www.dhs.state.il.us/page.aspx?item=10163>

01.02.03 - Exempt Income. <http://www.dhs.state.il.us/page.aspx?item=10160>

04.02.01 - Copayments. <http://www.dhs.state.il.us/page.aspx?item=54862>

WAG 25-03-14-a: Table A Copayments. <http://www.dhs.state.il.us/page.aspx?item=19540>

WAG 25-03-14-b: Table B Copayments. <http://www.dhs.state.il.us/page.aspx?item=19549>

06.05.01 - Payment Rates. <http://www.dhs.state.il.us/page.aspx?item=10864>

06.05.01 - Payment Rates effective 7/1/12. <http://www.dhs.state.il.us/page.aspx?item=60543>

06.05.01 - Payment Rates Effective 7/1/2014. <http://www.dhs.state.il.us/page.aspx?item=64471>

01.03.03 - Education and Training Activities. <https://www.dhs.state.il.us/page.aspx?item=36624>

Medical Assistance: FamilyCare and All Kids

Medicaid and the State Children Health Insurance Program (SCHIP) are cooperative programs between the federal government and state governments. States administer the programs and are responsible for their funding. The federal government provides matching funds based on funding formulae. In addition, the federal government has a complex set of regulations that states must abide by if they want to qualify for the federal match. There is limited flexibility whereby states may seek and attain waivers to some of the federal rules, if so approved.

Income determination for Medical assistance is based on the Modified Adjusted Gross Income (MAGI), as established by the Affordable Care Act, which is earned and unearned income. It does not include SSI and child support payments. TANF participants have categorical eligibility. The subsidy is simply the Per Member Per Month (PMPM) cost minus any premium shares. These are converted to an annual basis. FamilyCare has no premium share and only the upper two tiers of All Kids have premium shares.

Sources:

Memoranda Policy Memoranda, Modified Adjusted Gross Income (MAGI) Budgeting for Medical. <http://www.dhs.state.il.us/page.aspx?item=67265>

Cash, SNAP and Medical Manual, PM 20-02-01: Eligibility by Program. <http://www.dhs.state.il.us/page.aspx?item=17596>

FamilyCare Income: <http://www.familycareillinois.com/income.html>

Illinois All Kids Website, All Kids Income Standards and Cost Sharing Chart: <http://www.allkids.com/income.html>.

Affordable Care Act: <http://housedocs.house.gov/energycommerce/ppacacon.pdf>.

Affordable Care Act (ACA) Premium Tax Credit

The Premium Tax Credit of the Affordable Care Act is a federal tax subsidy to help individuals and families afford health insurance purchased through the health-insurance exchanges when those individuals or families have too much income to qualify for Medicaid or SCHIP and if their income falls within income limits established by the ACA.

The Premium Tax Credit also uses MAGI as established by the ACA. The application of maximum percentage of income that can be spent on health insurance is derived directly from the law itself. The second lowest silver plans by county and family characteristic were derived from queries on the healthcare.gov website. The Premium Tax Credit is equal to any amount spent on health insurance above the maximum contribution amount and up to the second lowest silver plan of the county where the taxpayer lives.

Sources:

Memoranda Policy Memoranda, Modified Adjusted Gross Income (MAGI) Budgeting for Medical: <http://www.dhs.state.il.us/page.aspx?item=67265>

Affordable Care Act: <http://housedocs.house.gov/energycommerce/ppacacon.pdf>

Appendix D: Look up Values and Tables

Look-up Item 1: Social Security and Medicare Withholding Rates

Social Security payroll tax is 6.2 percent and Medicare payroll tax is 1.45 percent, for a total of 7.65 percent. Employer's share is not included. The base limit of \$117,000 is beyond the range of the scenarios being modelled.

Source: Internal Revenue Service, Topic 751 - Social Security and Medicare Withholding Rates, <http://www.irs.gov/taxtopics/tc751.html>.

Look-up Item 2: Federal Standard Deduction

Filing Status	Standard Deduction 2014
Single	6,200.00
Married Filing Jointly	12,400.00
Head of Household	9,100.00

Source: Internal Revenue Service, Tax Withholding and Estimated Tax, For Use in 2014, Publication 505, Cat. No. 15008E, p. 38. <http://www.irs.gov/pub/irs-pdf/p505.pdf>.

Look-up Item 3: Federal Exemption

\$3,900 per individual

Source: Ibid, p. 2.

Look-up Item 4: Federal Tax Table

Head of Household				
Over	Not over	Rate	Over	Plus
-	12,950.00	10%	-	-
12,950.01	49,400.00	15%	12,950.00	1,295.00
49,400.01	127,550.00	25%	49,400.00	6,762.50

Married Filing Jointly				
Over	Not over	Rate	Over	Plus
-	18,150.00	10%	-	-
18,150.01	73,800.00	15%	18,150.00	1,815.00
73,800.01	148,850.00	25%	73,800.00	10,162.50

Source: Internal Revenue Service, Internal Revenue Bulletin, Bulletin No. 2013-47, Nov. 18, 2013, pp 538-539. <http://www.irs.gov/pub/irs-irbs/irb13-47.pdf>.

Look-up Item 5: Child Dependent Care Tax Credit Decimal Factors

Income At Least	Decimal Amount
\$0	0.35
\$15,000.01	0.34
\$17,000.01	0.33
\$19,000.01	0.32
\$21,000.01	0.31
\$23,000.01	0.30
\$25,000.01	0.29
\$27,000.01	0.28
\$29,000.01	0.27
\$31,000.01	0.26
\$33,000.01	0.25
\$35,000.01	0.24
\$37,000.01	0.23
\$39,000.01	0.22
\$41,000.01	0.21
\$43,000.01	0.20

Source: Internal Revenue Service, Form 2441 (2013). <http://www.irs.gov/pub/irs-pdf/f2441.pdf>.

Note: The decimal factors require an act of Congress to change. See also 26 U.S. Code § 21 - Expenses for household and dependent care services necessary for gainful employment. <http://www.law.cornell.edu/uscode/text/26/21>

Look-up Item 6: Child Tax Credit

\$1,000 per Child under 17

Source: Internal Revenue Service, Instructions for Form 1040 (2013) <http://www.irs.gov/pub/irs-pdf/i1040.pdf>

Note: The amount stays the same for 2014, requiring an act of Congress to change. See Kelly Phillips Erb, "IRS Announces 2014 Tax Brackets, Stand Deduction Amounts and More," Forbes, Oct. 31, 2013. Accessed online. <http://www.forbes.com/sites/kellyphillipserb/2013/10/31/irs-announces-2014-tax-brackets-standard-deduction-amounts-and-more> and <http://www.law.cornell.edu/uscode/text/26/21> and 26 U.S. Code § 24 <http://www.law.cornell.edu/uscode/text/26/24>. Also, the new \$3,000 limit will not impact the scenarios for this model.

Look-up Item 7: Federal Earned Income Credit Table

<i>Item</i>	<i>Number of Qualifying Children</i>			
	<i>One</i>	<i>Two</i>	<i>Three or More</i>	<i>None</i>
Earned Income Amount	\$ 9,720	\$13,650	\$13,650	\$6,480
Maximum Amount of Credit	\$ 3,305	\$ 5,460	\$ 6,143	\$ 496
Threshold Phaseout Amount (Single, Surviving Spouse, or Head of Household)	\$17,830	\$17,830	\$17,830	\$8,110
Completed Phaseout Amount (Single, Surviving Spouse, or Head of Household)	\$38,511	\$43,756	\$46,997	\$14,590
Threshold Phaseout Amount (Married Filing Jointly)	\$23,260	\$23,260	\$23,260	\$13,540
Completed Phaseout Amount (Married Filing Jointly)	\$43,941	\$49,186	\$52,427	\$20,020

Source: Internal Revenue Service, Internal Revenue Bulletin, Bulletin No. 2013-47, Nov. 18, 2013, p. 540. <http://www.irs.gov/pub/irs-irbs/irb13-47.pdf>. See also 26 U.S. Code§ 32 – Earned Income. <http://www.law.cornell.edu/uscode/text/26/32>.

Note: from these data a new Earned Income Credit Table was created. Full table not displayed.

Master	2014	Single, Head of Household, Widow(er)				Married Filing Jointly				
		At least	But <	0 Children	1 Child	2 Children	3 Children	0 Children	1 Child	2 Children
0	1	0	0	0	0	0	0	0	0	0
1	50	2	9	11	12	2	9	11	12	12
50	100	6	26	30	34	6	26	30	34	34
100	150	10	43	50	57	10	43	50	57	57
150	200	14	60	70	79	14	60	70	79	79
200	250	18	77	90	102	18	77	90	102	102
250	300	22	94	110	124	22	94	110	124	124
300	350	25	111	130	147	25	111	130	147	147
350	400	29	128	150	169	29	128	150	169	169
400	450	33	145	170	192	33	145	170	192	192
450	500	37	162	190	214	37	162	190	214	214
500	550	41	179	210	237	41	179	210	237	237
550	600	45	196	230	259	45	196	230	259	259
600	650	48	213	250	282	48	213	250	282	282
650	700	52	230	270	304	52	230	270	304	304
700	750	56	247	290	327	56	247	290	327	327
750	800	60	264	310	349	60	264	310	349	349
800	850	64	281	330	372	64	281	330	372	372
850	900	67	298	350	394	67	298	350	394	394
900	950	71	315	370	417	71	315	370	417	417
950	1,000	75	332	390	439	75	332	390	439	439

Look-up Item 8: TANF and Child Care County Groupings

County/ City	TANF Grouping	Child Care Grouping
Cook	GroupI	Group1A
Lake	GroupI	Group1A
St. Clair	GroupII	Group1B

Sources: Illinois Department of Human Services, Cash, SNAP and Medical Manual, Workers' Action Guide (WAG) 25-03-01: County Groupings (<http://www.dhs.state.il.us/page.aspx?item=12665>) and Child Care Program Manual, 06.05.01 – Payment Rates effective 1/1/13, <http://www.dhs.state.il.us/page.aspx?item=64471>.

Look-up Item 9: TANF Tables of Monthly Allowances**Group I Counties**

Size of Assistance Unit	Payment Level	3 Times Payment Level
1	233	699
2	307	921
3	417	1,251
4	461	1,383
5	540	1,620
6	605	1,815
7	638	1,914
8	673	2,019
9	709	2,127
10	746	2,238
11	784	2,352
12	825	2,475
13	870	2,610
14	915	2,745
15	962	2,886
16	1,014	3,042
17	1,069	3,207
18	1,124	3,372

Group II Counties

Size of Assistance Unit	Payment Level	3 Times Payment Level
1	198	594
2	294	882
3	399	1,197
4	445	1,335
5	519	1,557
6	585	1,755
7	616	1,848
8	647	1,941
9	683	2,049
10	718	2,154
11	758	2,274
12	797	2,391
13	839	2,517
14	883	2,649
15	930	2,790
16	979	2,937
17	1,030	3,090
18	1,085	3,255

Group III Counties

Size of Assistance Unit	Payment Level	3 Times Payment Level
1	243	729
2	318	954
3	432	1,296
4	474	1,422
5	552	1,656
6	623	1,869
7	657	1,971
8	691	2,073
9	727	2,181
10	765	2,295
11	807	2,421
12	848	2,544
13	894	2,682
14	941	2,823
15	991	2,973
16	1,043	3,129
17	1,098	3,294
18	1,156	3,468

Source: Illinois Department of Human Services, Cash, SNAP and Medical Manual, Workers' Action Guide (WAG) 25-03-05: Table of Monthly Allowances. <http://www.dhs.state.il.us/page.aspx?item=12673>.

Look-up Item 10: SNAP Income Limit

Household Size	Gross Monthly Income	Net Monthly Income
	130 Percent of FPL	100 Percent of FPL
1	\$1,245	\$958
2	\$1,681	\$1,293
3	\$2,116	\$1,628
4	\$2,552	\$1,963
5	\$2,987	\$2,298
6	\$3,423	\$2,633
7	\$3,858	\$2,968
8	\$4,294	\$3,303

Source: See Illinois Department of Human Services, Cash, SNAP and Medical Manual, Manual Attachments, WAG 25-06-05-b: Maximum Gross Income Standards (130 percent of FPL), <http://www.dhs.state.il.us/page.aspx?item=21864> and WAG 25-06-05-c: Maximum Net Income Standards <http://www.dhs.state.il.us/page.aspx?item=21868>. Time period used is 10/13 to 9/14.

Look-up Item 11: SNAP Standard Deduction

SNAP Standard Deduction	
Household Size	Deduction
1	148
2	148
3	148
4	159
5	187
6	215

Source: Illinois Department of Human Services, Cash, SNAP and Medical Manual, Manual Attachments, WAG 25-06-05-d: SNAP Deduction Amounts. <http://www.dhs.state.il.us/page.aspx?item=21871>. Time period used is 10/13 to 9/14.

Look-up Item 12: SNAP Maximum Monthly Amounts

Number of People in Household	Maximum Gross Monthly Benefits
1	189
2	347
3	497
4	632
5	750
6	900
7	995
8	1,137
9	1,279
10	1,421

Source: Illinois Department of Human Services, Cash, SNAP and Medical Manual, Manual Attachments, WAG 25-06-05-a: Maximum Monthly SNAP Benefits. <http://www.dhs.state.il.us/page.aspx?item=21863>. Time period used is 10/13 to 9/14.

Look-up Item 13: WIC Income Limit

Household Size	Monthly income	
	FPL	185% of FPL
1	\$973	\$1,800
2	\$1,311	\$2,426
3	\$1,649	\$3,051
4	\$1,988	\$3,677
5	\$2,326	\$4,303
6	\$2,664	\$4,929
7	\$3,003	\$5,555
8	\$3,341	\$6,181

Sources: U.S. Department of Agriculture, Federal Food and Nutrition Service, Income Eligibility Guidelines. http://www.fns.usda.gov/sites/default/files/FY2013-2014_WIC_IEGs_WEB.pdf and Illinois WIC Policy and Procedure Manual. (Not available online.)

Look-up Item 14: WIC Average Monthly Benefit

Illinois WIC Average Monthly Benefit: \$48.72

Sources: U.S. Department of Agriculture, Federal Food and Nutrition Service, WIC Program: Average Monthly Benefit per Person, by State. Preliminary FY 2014, October 2013 through May 2014 data, accessed August 23, 2014. <http://www.fns.usda.gov/pd/wic-program>.

Look-up Item 15: National School Lunch Program Income Limits

Household Size	Net Monthly Income	Reduced Lunch	Free Lunch
	FPL	130%	185%
1	\$973	\$1,265	\$1,800
2	\$1,311	\$1,705	\$2,426
3	\$1,649	\$2,144	\$3,051
4	\$1,988	\$2,584	\$3,677
5	\$2,326	\$3,024	\$4,303
6	\$2,664	\$3,464	\$4,929
7	\$3,003	\$3,904	\$5,555
8	\$3,341	\$4,344	\$6,181

Sources: [Federal Register, Vol. 79, No. 43, Wednesday, March 5, 2014, Notices, p. 12467](http://www.fns.usda.gov/sites/default/files/2014-04788.pdf). <http://www.fns.usda.gov/sites/default/files/2014-04788.pdf>. See also U.S. Department of Agriculture, Federal Food and Nutrition Service, National School Lunch Program (Fact Sheet) and the School Breakfast Program (Fact Sheet) <http://www.fns.usda.gov/sites/default/files/NSLPFactSheet.pdf> and <http://www.fns.usda.gov/sites/default/files/SBPfactsheet.pdf>.

Look-up Item 16: National School Lunch Costs per Meal

	Free Meal	Reduced Cost Meal
School Lunch Program	\$2.98	\$2.58
School Breakfast Program	\$1.62	\$1.32
Totals	\$4.60	\$3.90
Days in School	176	176
Annual Cost	\$809.60	\$686.40
Average Monthly Cost	\$67.47	\$57.20

Note: It is assumed that no snacks are provided because the children will be in child care and not in after-school programs. Also, it is assumed that the family participates in the School Breakfast Program because each of the counties considered have school districts that participate in the program. See the Illinois School Breakfast Report: 2011-12 School Year, January 2014, pp. 15-17, that provides a list of the top 70 participating districts by size. http://www.chicagosfoodbank.org/site/DocServer/Breakfast_Report_2012_web.pdf.

Sources: Calculated using data from the Federal Register, Vol.

79, No. 136, Wednesday, July 16, 2014, Notices, p. 41532. <http://www.fns.usda.gov/sites/default/files/cn/NAPs14-15.pdf>. See also U.S. Department of Agriculture, Federal Food and Nutrition Service, National School Lunch Program (Fact Sheet) <http://www.fns.usda.gov/sites/default/files/NSLPFactSheet.pdf> and the School Breakfast Program (Fact Sheet) and <http://www.fns.usda.gov/sites/default/files/SBPfactsheet.pdf>. Days in school based on 105 Illinois Compiled Statutes (ILCS) 5/10-19 (Length of school term) <http://www.ilga.gov/legislation/ilcs/ilcs4.asp?DocName=010500050HARt%2E+10&ActID=1005&ChapterID=17&SeqStart=58400000&SeqEnd=81700000>. See also Illinois State Board of Education, [Public School Calendar Guidelines, updated March 2013](http://www.isbe.net/funding/pdf/ps_guidelines.pdf). http://www.isbe.net/funding/pdf/ps_guidelines.pdf.

Look-up Item 17: Housing Choice Voucher Income Limits

Housing Authority	Family Size					
	1	2	3	4	5	6
Cook County	25,350	29,000	32,600	36,200	39,100	42,000
Chicago	25,350	29,000	32,600	36,200	39,100	42,000
Lake County	25,800	29,450	33,150	36,800	39,750	42,700
St. Clair County	23,500	26,850	30,200	33,550	36,250	38,950

Sources: For the Housing Authority of Cook County and the Chicago Housing Authority, the source is the U.S. Department of Housing and Urban Development, Income Limits Section 8 Rev., FY 2014, p. 51. http://www.huduser.org/portal/datasets/il/il14/IncomeLimits_Section8_Rev.pdf. Also for the Chicago Housing Authority, see CHA Advisory 2013-27, FY 2014 HUD Income Limits, Dec. 30, 2013. (Not available online.) For Lake County Housing Authority, information is from the authority's webpage "Who is Eligible for Assistance?" accessed Sept. 1, 2014. <http://www.lakecountyha.org/LowRentPublicHousing/ApplicationforPublicHousing.aspx>. For St. Clair County Housing Authority, the information is based on the authority's "FY 2014 Income Limits Documentation System, FY 2014 Income Limits Summary." (Not available online.)

Look-up Item 18: Housing Choice Voucher Payment Standards

Housing Authority	Bedrooms					
	0	1	2	3	4	5
Cook County	776	903	1,065	1,344	1,552	1,749
Chicago	784	969	1,139	1,372	1,561	1,732
Lake County	711	895	1,027	1,310	1,525	1,754
St. Clair County	532	631	794	1,023	1,105	1,270

Sources: The Housing Authority of Cook County values are calculated using weighted averages based on Small Area Fair Market Rent Payment Standards, effective May 2013. <http://thehacc.org/wp-content/uploads/2012/10/Payment-Standards2.pdf>. Weights are based on the number of ZIP codes in each of the 10 defined ranges. Chicago Housing Authority (CHA) values are based on CHA Advisory 2013-23, "Fair Market Rents and Payment Standards FY2014," issued Oct. 23, 2013. (Not available online.) Lake County Housing Authority values are based the authority's webpage "Payment

Standards & Utility Allowances,” accessed Aug. 24, 2014. <http://www.lakecountyha.org/HousingChoiceVoucherProgram/Owners/ProgramRentsUtilityAllowance.aspx>. See also Lake County Housing Authority, Section 8 Choice Voucher Program, Administrative Plan, Oct. 1, 2013, p. 57. <http://www.lakecountyha.org/Portals/0/PHA%20Plans,%20ACOP,%20S8/10-1-13%20S8-HCV%20Admin%20Plan.pdf>. For St. Clair County Housing Authority, the information is based on the authority’s “Section 8 Housing Choice Voucher Program Rent Calculation Worksheet,” updated 08/21/2014. (Not available online.)

Look-up Item 19: Housing Choice Voucher Utility Allowances

Housing Authority	Housing Authority	Bedrooms					
		0	1	2	3	4	5
Cook	Cook County	187	235	284	335	384	433
Chicago	Chicago	148	193	247	306	390	450
Lake	Lake County	144	181	226	261	317	354
St. Clair	St. Clair County	246	268	322	375	426	467

Sources: Based on calculations of author using utility allowances as provided by the housing authorities and averaging cost values of the allowable energy sources for type of service and then averaging total cost for each housing type. For the Housing Authority of Cook County, data was sent to author and not available online. However, previous year data are available on the authority’s website, “Allowances for Tenant Furnished Utilities and Other Services.” <http://thehacc.org/wp-content/uploads/2012/10/Utility-allowances.pdf>. For the Chicago Housing Authority, see CHA Advisory 2013-26, “2014 Utility Allowance Schedule,” issued Nov. 4, 2013. (Not available online.) For Lake County Housing Authority, see the authority’s webpage “Payment Standards & Utility Allowances.” Accessed Aug. 24, 2014. <http://www.lakecountyha.org/HousingChoiceVoucherProgram/Owners/ProgramRentsUtilityAllowance.aspx>. For St. Clair County Housing Authority, see “Allowances for Tenant Furnished Utilities and Other Services” by unit type for “detached house,” “Apartment/Walk-Up,” “Row House/Townhouse & Semi-Detached/ Duplex,” and “Mobile Home.” (Not available online.)

Look-up Item 20: Child Care Income Limits

Family Size	Maximum Monthly Income (185% FPL)
2	\$2,426
3	\$3,051
4	\$3,677
5	\$4,303
6	\$4,929
7	\$5,555
8	\$6,181

Source: Illinois Department of Human Services, Child Care Program Manual, 01.02.01 Income Guidelines, 2013-07-07. <http://www.dhs.state.il.us/page.aspx?item=67061>. Note that at the time the table was accessed in August and September 2014, the department had not updated the policy manual at time of publication. The values above are the correct ones.

Look-up Item 21: Child Care Rates

Full Day Rates

County Group	Licensed Day Care Center			Lic. Exempt Day Care Center			Licensed Day Care Home / Group Care Home			Non-Licensed Care
	Under 2	Age 2	Age 3 and Older	Under 2	Age 2	Age 3 and Older	Under 2	Age 2	Age 3 and Older	All Ages
Group1A	46.49	39.26	32.72	40.50	34.20	28.50	33.08	31.84	29.84	15.86
Group1B	46.49	36.73	27.55	40.50	32.00	24.00	29.35	28.12	26.85	15.86
Group2	33.53	28.46	23.77	29.20	24.80	20.70	26.85	25.62	24.39	15.86

Part Day Rates

County Group	Licensed Day Care Center			Lic. Exempt Day Care Center			Licensed Day Care Home / Group Care Home			Non-Licensed Care
	Under 2	Age 2	Age 3 and Older	Under 2	Age 2	Age 3 and Older	Under 2	Age 2	Age 3 and Older	All Ages
Group1A	23.25	19.63	16.36	20.25	17.10	14.25	16.54	15.92	14.92	7.93
Group1B	23.25	18.37	13.78	20.25	16.00	12.00	14.68	14.06	13.43	7.93
Group2	16.77	14.23	11.89	14.60	12.40	10.35	13.43	12.81	12.20	7.93

School Age Day Rates

County Group	Licensed Day Care Center	Lic. Exempt Day Care Center	Lic. Day Care Home or Lic. Group Day Care Home	Non-Licensed Care
Group1A	16.36	14.25		
Group1B	13.78	12.00		
Group2	11.89	10.74		

Source: Illinois Department of Human Services, Child Care Program Manual, 06.05.01 – Payment Rates effective 7/1/14. <http://www.dhs.state.il.us/page.aspx?item=64471>.

Look-up Item 22: Child Care Copayment Tables

Table A

Family Size 2			Family Size 3			Family Size 4			Family Size 5			Family Size 6		
Monthly Income	Monthly Co-Pay		Monthly Income	Monthly Co-Pay		Monthly Income	Monthly Co-Pay		Monthly Income	Monthly Co-Pay		Monthly Income	Monthly Co-Pay	
0	525	2	0	660	2	0	795	2	0	931	2	0	1,066	2
526	656	3	661	825	3	796	994	3	932	1,163	3	1,067	1,333	3
657	787	9	826	990	12	995	1,193	15	1,164	1,396	17	1,334	1,599	19
788	918	16	991	1,155	20	1,194	1,392	23	1,397	1,629	28	1,600	1,865	31
919	1,049	24	1,156	1,320	30	1,393	1,590	36	1,630	1,861	43	1,866	2,132	49
1,050	1,180	34	1,321	1,485	43	1,591	1,789	52	1,862	2,094	60	2,133	2,398	70
1,181	1,311	46	1,486	1,650	58	1,790	1,988	70	2,095	2,326	82	2,399	2,665	94
1,312	1,442	59	1,651	1,815	75	1,989	2,187	90	2,327	2,559	106	2,666	2,931	121
1,443	1,573	75	1,816	1,979	94	2,188	2,385	113	2,560	2,791	133	2,932	3,197	152
1,574	1,705	91	1,980	2,144	115	2,386	2,584	139	2,792	3,024	163	3,198	3,464	187
1,706	1,836	110	2,145	2,309	139	2,585	2,783	167	3,025	3,257	196	3,465	3,730	224
1,837	1,967	130	2,310	2,474	164	2,784	2,982	198	3,258	3,489	231	3,731	3,997	264
1,968	2,098	151	2,475	2,639	191	2,983	3,180	230	3,490	3,722	270	3,998	4,263	309
2,099	2,229	174	2,640	2,804	220	3,181	3,379	265	3,723	3,954	312	4,264	4,530	357
2,230	2,360	199	2,805	2,969	252	3,380	3,578	304	3,955	4,187	356	4,531	4,796	407
2,361	2,426	218	2,970	3,051	275	3,579	3,677	331	4,188	4,303	388	4,797	4,929	445
2,427		ineligible	3,052		ineligible	3,678		ineligible	4,304		ineligible	4,930		ineligible

Table B

Family Size 2			Family Size 3			Family Size 4			Family Size 5			Family Size 6		
Monthly Income	Monthly Co-Pay		Monthly Income	Monthly Co-Pay		Monthly Income	Monthly Co-Pay		Monthly Income	Monthly Co-Pay		Monthly Income	Monthly Co-Pay	
0	525	1.00	0	660	1.00	0	795	1.00	0	931	1.00	0	1,066	1.00
526	656	1.50	661	825	1.50	796	994	1.50	932	1,163	1.50	1,067	1,333	1.50
657	787	4.50	826	990	6.00	995	1,193	7.50	1,164	1,396	8.50	1,334	1,599	9.50
788	918	8.00	991	1,155	10.00	1,194	1,392	11.50	1,397	1,629	14.00	1,600	1,865	15.50
919	1,049	12.00	1,156	1,320	15.00	1,393	1,590	18.00	1,630	1,861	21.50	1,866	2,132	24.50
1,050	1,180	17.00	1,321	1,485	21.50	1,591	1,789	26.00	1,862	2,094	30.00	2,133	2,398	35.00
1,181	1,311	23.00	1,486	1,650	29.00	1,790	1,988	35.00	2,095	2,326	41.00	2,399	2,665	47.00
1,312	1,442	29.50	1,651	1,815	37.50	1,989	2,187	45.00	2,327	2,559	53.00	2,666	2,931	60.50
1,443	1,573	37.50	1,816	1,979	47.00	2,188	2,385	56.50	2,560	2,791	66.50	2,932	3,197	76.00
1,574	1,705	45.50	1,980	2,144	57.50	2,386	2,584	69.50	2,792	3,024	81.50	3,198	3,464	93.50
1,706	1,836	55.00	2,145	2,309	69.50	2,585	2,783	83.50	3,025	3,257	98.00	3,465	3,730	112.00
1,837	1,967	65.00	2,310	2,474	82.00	2,784	2,982	99.00	3,258	3,489	115.50	3,731	3,997	132.00
1,968	2,098	75.50	2,475	2,639	95.50	2,983	3,180	115.00	3,490	3,722	135.00	3,998	4,263	154.50
2,099	2,229	87.00	2,640	2,804	110.00	3,181	3,379	132.50	3,723	3,954	156.00	4,264	4,530	178.50
2,230	2,360	99.50	2,805	2,969	126.00	3,380	3,578	152.00	3,955	4,187	178.00	4,531	4,796	203.50
2,361	2,426	109.00	2,970	3,051	137.50	3,579	3,677	165.50	4,188	4,303	194.00	4,797	4,929	222.50
2,427		ineligible	3,052		ineligible	3,678		ineligible	4,304		ineligible	4,930		ineligible

Sources: Illinois Department of Human Services, "Important Parent Co-Payment Information," Effective July 1, 2014, and Illinois Department of Human Services, Family & Community Services Manual, WAG Manual Attachments, WAG 25-03-14-a Table A Copayments and AG 25-03-14-b Table B Copayments. <http://www.dhs.state.il.us/page.aspx?item=19540> and <http://www.dhs.state.il.us/page.aspx?item=19549>. See also <http://www.dhs.state.il.us/onenetlibrary/12/documents/Forms/IL444-3455b.pdf>.

Look-up Item 23: FamilyCare Income Limits

FamilyCare Income Standards		
Size	Monthly	Annual
1	1,342	16,104
2	1,809	21,708
3	2,276	27,312
4	2,743	32,916
5	3,210	38,520
6	3,677	44,124

Source: Illinois FamilyCare website, FamilyCare Monthly Income Standards. <http://www.familycareillinois.com/income.html>.

Look-up Item 24: All Kids Income Limits

Family Size	All Kids Assist	All Kids Share	All Kids Premium Level 1	All Kids Premium Level 2
1	Up to \$1,430 per month	\$1,431 - 1,527 per month	\$1,528 - 2,033 per month	\$2,034 - 3,093 per month
2	Up to \$1,927 per month	\$1,928 - 2,058 per month	\$2,059 - 2,740 per month	\$2,741 - 4,168 per month
3	Up to \$2,424 per month	\$2,425 - 2,589 per month	\$2,590 - 3,447 per month	\$3,448 - 5,244 per month
4	Up to \$2,922 per month	\$2,923 - 3,120 per month	\$3,121 - 4,154 per month	\$4,155 - 6,320 per month
5	Up to \$3,419 per month	\$3,420 - 3,652 per month	\$3,653 - 4,861 per month	\$4,862 - 7,396 per month

Source: Illinois All Kids Website, All Kids Income Standards and Cost Sharing Chart, <http://www.allkids.com/income.html>.

Look-up Item 25: All Kids Premium Share

	All Kids Assist	All Kids Share	All Kids Premium Level 1	All Kids Premium Level 2
Monthly Premium per child	None	None	1 child \$15 2 children \$25 Each add'l child: \$5	\$40 per child
Max Monthly Premium	N/A	N/A	\$40 for 5 or more children	\$80 for 2 or more children

Source: Illinois All Kids Website, All Kids Income Standards

and Cost Sharing Chart: <http://www.allkids.com/income.html>.

Look-up Item 26: Medicaid PMPMs

County	Non Disabled Child	Non Disabled Adult Under 65
Cook	129	245
Lake	105	240
St. Clair	121	238

Source: Illinois Department of Healthcare and Family Services, data provided by Department upon request. Data is for 2012, the most recent year available.

Look-up Item 27: Healthcare Exchange Premium Tax Credit Income Limits

Family Size	Income Limit
1	45,960
2	62,040
3	78,120
4	94,200
5	110,280
6	126,360

Sources: www.healthcare.gov website, "Income levels that qualify for lower health coverage costs." <https://www.healthcare.gov/how-can-i-save-money-on-marketplace-coverage/> and <https://www.healthcare.gov/how-can-i-save-money-on-marketplace-coverage-508/>.

Look-up Item 28: Healthcare Exchange Premium Tax Credit Intervals

FPL	Factor	Interval FPL	Interval Factor
100.0%	2.00%		
132.9%	2.00%		
133.0%	3.00%	17.0%	1.00%
150.0%	4.00%	50.0%	2.30%
200.0%	6.30%	50.0%	1.75%
250.0%	8.05%	50.0%	1.45%
300.0%	9.50%	100.0%	0.00%
400.0%	9.50%		

Note: The Affordable Care Act (ACA) provides that the Premium Tax Credit (PTC) begins at 100 percent of FPL. However, because Illinois expanded Medicaid eligibility pursuant the ACA and no one can receive the PTC if he/she is eligible for Medicaid, the effective eligibility for PTC starts above 138 percent of FPL, which is accounted for in the algorithm. See [Health Insurance Exchange Premium Tax Credit](#) in [Appendix E](#).

Source: Factors and FPL levels based on the Affordable Care Act, Public Laws 111-148 & 111-152, Subtitle E (Affordable

Coverage Choices for All Americans), Part I (Premium Tax Credits and Cost Sharing Reductions). <http://housedocs.house.gov/energycommerce/ppacacon.pdf>. Interval FPL and Interval factors were calculated.

Look-up Item 29: Second Lowest Silver Plan Costs.

County	Family with One Adult				Family with 2 Adults			
	1 Adult	+1 Child	+2 Children	+3 Children	2 Adults	+1 Child	+2 Children	+3 Children
Cook	188	294	399	504	384	490	595	700
Lake	195	303	412	520	397	505	614	723
St. Clair	230	358	486	614	468	597	722	853

Source: Table compiled from queries on the healthcare.gov website. Methodology: Logged onto the healthcare.gov website to find estimates of healthcare plans. (Link: “See plans and prices”) Inputted individual/family plans, health (not dental), IL as state, county as Cook, Lake, or St. Clair. Varied size of household with ages as follows: Adult 1 (30), Adult 2 (32), Child 1 (10), Child 2 (2), Child 1 (1). Inputted “no” to employer coverage in household. Incomes values were varied. No one is pregnant. Then extracted the 2nd lowest priced silver plan. Date Extracted: August 27, 2014. All values were extracted on the same day. <https://www.healthcare.gov/find-premium-estimates/>.

■ Appendix E: Algorithm Sequence

X Axis Variable (Annual, Monthly)

1. [Earned Income]

Basic Inputs

2. Input [Number of Adults]
3. Input [Number of Children]
4. Input Children's ages: [Child1 Age] [Child2 Age] [Child3 Age]
5. Input Child Sex: [Child1 Sex] [Child2 Sex] [Child3 Sex]
6. Input Child School Status: [Child1 School Status] [Child2 School Status] [Child3 School Status]
7. Input Child Grade: [Child1 Grade] [Child2 Grade] [Child3 Grade]
8. Input Child Care Setting: [Child1 CC Setting] [Child2 CC Setting] [Child3 CC Setting]
9. Input [County]
10. Input Tax Filing Status: [Tax Status]

Basic Calculated/Lookup Values

11. Calculate [Family Size]

Federal Payroll Taxes (Annual)

12. Calculate Federal Payroll Deduction: [Fed Payroll Taxes] = 7.65 percent * [Earned Income]

Federal Taxable Income and Tax Calculation {Form 1040} (Annual)

13. Look up [Federal Standard Deduction]
14. Look up [Individual Exemption Value]
15. Calculate [Exemption Taken] = [Family Size] * [Individual Exemption Value]
16. Calculate [Total Federal Deductions] = [Federal Standard Deduction] + [Exemption Taken]
17. Calculate [Taxable Income] {line 43} = [Earned Income] - [Total Federal Deductions], if less than 0, then enter 0
18. Lookup [Federal Tax Rate] [Federal Threshold for Tax Rate] [Federal Additional Tax] based on [Taxable Income]
19. Calculate [Federal Tax] {Line 44} = [Federal Tax Rate] * [Table Income] - [Federal Threshold for Tax Rate] + [Federal Additional Tax]

Child Care Tax Credit (CCTC) {Form 2241} (Annual)

20. Transfer from Below: Total Out of Pocket Child Care Cost [CC Out of Pocket]
21. Count Children Receiving Childcare under 13: [Number CC Children]

22. Calculate qualifying limit [CCTC Qualifying Limit]: 1 child in CC = \$3,000; 2 or more = \$6,000
23. Calculate [CCTC Qualifying Amount] (line 3) = minimum of [CC Out of Pocket] and [CCTC Qualifying Limit] respect to [Number CC Children]
24. Calculate Smallest of Income/Cost [CCTC Line 6]: minimum of [Earned Income] and [CCTC Qualifying Amount]
25. Lookup [CCTC Decimal] based on gross income on Form 2441
26. Calculate child care tax credit [CCTC] = [CCTC Decimal] * [CCTC Line 6]

Federal Tax Form Continued (Form 1040) (Annual)

27. Calculate tax liability after child care credit [CCTC Tax Liability] = [Federal Tax] - [CCTC], or 0, whichever is greater.
28. Lookup [Child Tax Credit], which is \$1,000 for each child under 17.
29. Calculate [potential child tax credit]: [Child Tax Credit] * Number of Children under 17.
30. Tax liability after child credit [Final Federal Income Tax] = [CCTC Tax Liability] - [Potential Child Tax Credit], but if less than 0, enter 0.
31. Calculate [Child Tax Credit Taken] = If [Potential Child Tax Credit] < [CCTC Tax Liability], then [CCTC Tax Liability], otherwise [Potential Child Tax Credit]

Federal Refundable Tax Credits (EITC and ACTC) {1040 Line 64 and Form 8812} (Annual)

32. Lookup Earned Income Tax Credit [EITC] based on [Earned Income] and [Family Size]
 - a. EITC Table created using factors from Internal Revenue Bulletin No. 2013-47.
33. Calculate Additional Child Tax Credit [ACTC 8812 line 3] = [Potential Child Tax Credit] - [Child Tax Credit Taken]
34. Calculate [Earned Income over 3,000] {line 5} = [Earned Income] - 3,000, if <0 then enter 0.
35. Calculate [ACTC 8812 line 6] = 15 percent * [Earned Income over 3,000]
36. Calculate [ACTC] = smaller of [ACTC 8812 line 3] or [ACTC 8812 line 6]

Illinois Income Tax {IL 1040}

37. Input Total Income {line 4} (assume no federal tax exempt income) = [Earned Income]

38. Input Total [IL Subtractions] {line 8}: assume none. See Schedule M.
39. Calculate [Illinois Base Income] {line 9} = [Earned Income] – [IL Subtractions]
40. Calculate [IL Exemptions] {line 10} = \$2,125 * [Family Size]
41. Calculate [IL Net Income] {line 11} = [IL Base Income] – [IL Exemptions]
42. Calculate [IL Tax] = 5 percent * [IL Net Income]
43. Input [IL Nonrefundable Tax Credits] {line 19}: assume none (See Schedules ICR and 1299-C)
44. Calculate line 20 [IL Tax after Nonrefundable Tax Credits] = [IL Tax] – [IL Nonrefundable Tax Credits], if less than 0, then enter 0.

Illinois Earned Income Tax Credit (IL 1040) (Annual)

45. Calculate Illinois Earned Income Tax [IL EITC] {line 28} = 10percent * [EITC] That is, 10 percent of Federal EITC See Schedule ICR.

Net Income (Annual)

46. Calculate net income [Net Income] = [Earned Income] – [Fed Payroll Taxes] - [Final Fed Income Tax] – [IL Tax after Nonrefundable Tax credits]

Refundable Tax Credits (Annual)

47. Calculate [Refundable Tax Credits] = [EITC] + [ACTC] + [IL EIC]

TANF Cash Grant (Monthly, convert to Annual)

48. Logic Test: Does family have children under 19 (if 18 child must be in school), or is the woman pregnant? If yes, continue.
49. Look up Maximum Payment [TANF Payment Level], based on TANF Grouping of Counties.
50. Calculate [TANF Earned Income Disregard] = 75 percent * [Earned Income]
51. Calculate [TANF Net Income] = [Earned Income] – [TANF Earned Income Disregard]
52. Calculate [TANF Grant] = [TANF Payment Level] - [TANF Net Income], if less than 0, enter 0.

SNAP Food Benefit (Monthly, convert to Annual)

53. Calculate [SNAP Gross Income] = [Earned Income] + [TANF Grant] – [Court Ordered Child Support Payments]
54. Look up [SNAP Gross Income Limit]: 130 percent of FPL.
55. Logic Test: Is [SNAP Gross Income] ≤ [SNAP

Gross Income Limit], if yes, qualify for benefits.

56. Look up [SNAP Standard Deduction], based on [Family Size]
57. Calculate [SNAP Adjusted Income] = [SNAP Gross Income] – 20*[percent Earned Income] – [SNAP Standard Deduction] – [CC Out of Pocket] (see below)
58. Calculate [SNAP Excess Shelter Cost] = [Shelter Cost] {from below} – [SNAP Adjusted Income] /2, if greater than \$478, enter \$478, if less than 0, then enter 0.
59. Calculate [SNAP Net Income] = [SNAP Adjusted Income] – [SNAP Excess Shelter Cost]
60. Lookup [SNAP Net Income Limit] based on [Family Size]
61. Logic Test: Is [SNAP Net Income] ≤ [SNAP Net Income Limit], if yes, continue
62. Look up [SNAP Max Benefit] based on [Family Size]
63. Calculate [SNAP Final Benefit] = [SNAP Max Benefit] – 70 percent * [SNAP Net Income], provided minimum monthly payment of \$15 for households of two or less.

WIC Food Benefit (Monthly, convert to Annual)

64. Logic Test [WIC Logic Test 1]: Is Mom pregnant or are there children under five?
65. Logic Test [WIC Logic Test 2]: Does family qualify for SNAP, SSI or TANF?
66. Look up [WIC Income Limit] based on [Family Size] {185 percent of FPL}
67. Logic Test [WIC Qualify]: IF ([WIC Logic Test 1] and [WIC Logic Test 2]) or ([WIC Logic Test 1] and [WIC Logic Test 2]) is true, then qualify and continue.
68. Look up [WIC Monthly Benefit Average]
69. Calculate [WIC Benefit] = [WIC Monthly Benefit Average] * (Number of children under 5 + 1 if mom is pregnant)

National School Lunch Program Food Benefit (Monthly, convert to Annual)

70. Look up [Free School Lunch Income Limit] based on [Family Size] {130 percent of FPL}
71. Look up [Reduced School Lunch Income Limit based on Family Size] {185 percent of FPL}
72. Logic Test [Free Lunch Qualify]: Is [Earned Income] ≤ [Free School Lunch Income Limit]
73. Logic Test [Reduced Lunch Qualify]: Is [Earned Income] ≤ [Reduced School Lunch Income Limit]

- only if [Free Lunch Quality] logic test is false
74. Look up [Average Free Lunch Subsidy per Day], for School Lunch and Breakfast
 75. Look up [Average Reduced Lunch Subsidy per Day], for School Lunch and Breakfast
 76. Calculate [Days in School]: assume 176, based on Illinois required school days.
 77. Calculate [Free School Lunch Monthly Cost] = [Average Free Lunch Subsidy per Day] * 176/12
 78. Calculate [Reduced School Lunch Monthly Cost] = [Average Reduced Lunch Subsidy per Day] * 176/12
 79. Calculate [Free Lunch Subsidy] = [Free School Lunch Monthly Cost] * Children in School if [Free Lunch Quality] is true {Note: Either qualify for free lunch or reduced lunch, not both}
 80. Calculate [Reduced Lunch Subsidy] = [Reduced School Lunch Monthly Cost] * Children in School if [Reduced Lunch Quality] is true {Note: Either qualify for free lunch or reduced lunch, not both}

Total Food Assistance (Monthly, convert to Annual)

81. Calculate [Total Food Subsidy] = [SNAP Final Benefit] + [WIC Benefit] + [Free Lunch Subsidy] + [Reduced Lunch Subsidy]

Housing Choice Voucher (HCV) (Annual, Convert to Monthly)

82. Calculate [HCV Gross Income] = [Earned Income] + [TANF Grant]
83. Look up [HCV Median Income Limit] per [County]
84. Logic Test: If [HCV Gross Income] <= [HCV Median Income Limit], then continue, otherwise stop.
85. Calculate [HCV Child Deduction] = 480 * Number of Children
86. Calculate [HCV Adjusted Income] = [HCV Gross Income] - [Out of Pocket CC Costs] {see below} - [HCV Child Deduction]
87. Calculate [HCV 10 percent Unadjusted Income] = 10 percent * [HCV Gross Income]
88. Calculate [HCV 30 percent Adjusted Income] = 30 percent * [HCV Adjusted Income]
89. Calculate [Maximum Tenant Payment] = greater of [HSV 10 percent Unadjusted Income] and [HSV 30 percent Adjusted Income]
90. Calculate [Number of Bedrooms] = 1 for adults + 1 for each sex of children, assuming up to 3 children of same sex in one bedroom.
91. Look up [HCV Standard Payment] by [County] and [Number of Bedrooms]

92. Calculate [Utility Allowance Table] = average of utility costs schedules by resident type and energy sources.
93. Look up [Utility Allowance] using [Utility Allowance Table] by [County] and [Number of Bedrooms]
94. Calculate [Rent + Utilities] = [HCV Standard Payment] + [Utility Allowance]
95. Calculate [HCV Subsidy] = [Rent + Utilities] - [Maximum Tenant Payment], if <0, enter 0.

Child Care (Monthly, Annual)

96. Logic Test [Child 1 Age Eligibility] if [Child 1 Age] < 14, then continue, otherwise stop.
97. Calculate [Child 1 CC Duration] = if at least one adult is not working, then no child care is needed, if adults work less than 30 hours or less, then part day is needed, if child is in school, then school day is needed, otherwise full day is needed.
98. Look up [Child 1 CC Full Day Rate] based on [County] and [Child 1 CC Setting]
99. Look up [Child 1 CC Part Day Rate] based on [County] and [Child 1 CC Setting]
100. Look up [Child 1 CC School Day Rate] based on [County] and [Child 1 CC Setting]
101. Calculate [Child 1 CC Days Needed] = Assume 251 days needed, or if in school, then 176 school days and 75 full days.
102. Calculate [Child 1 CC Annual Cost] = [Child 1 CC Days Needed] * ([Child 1 CC Full Day Rate] or [Child 1 CC Part Day Rate] or [Child 1 CC School Day Rate]), depending on [Child 1 CC Duration]
103. Repeat last 7 steps for Child 2 and Child 3
104. Calculate [Total CC Cost] = [Child 1 CC Annual Cost] + [Child 2 CC Annual Cost] + [Child 3 CC Annual Cost] Also, Convert to Monthly
105. Look up [CC Income Limit] based on [Family Size] {185 percent of FPL}
106. Logic Test [CC Eligible]: if [Earned income] <= [CC Income Limit], then continue, otherwise stop.
107. Look up [CC Copayment Table A] based on [Earned Income] and [Family Size]
108. Look up [CC Copayment Table B] based on [Earned Income] and [Family Size]
109. Logic Test [CC Copayment Table to Use]: if all children are part time, then Table B, if any child is full-time, then Table A, if all children are school age, then 0.25*Table A value + 0.75*Table B Value
110. Calculate [Ave Monthly CC Copay] based on [CC Copayment Table to Use]

111. Calculate [Out of Pocket CC Cost] = [Ave Monthly CC Copay], or if ineligible for copay, then [Total CC Cost]
112. Calculate [CC Subsidy] = [Total CC Cost]{Monthly} – [Ave Monthly CC Copay], or if ineligible, then 0.

Medical Assistance (Monthly)

113. Calculate Modified Adjusted Gross Income [MAGI]: assume [Earned Income]
114. Look up [FamilyCare Income Limit] based on [Family Size]
115. Logic Test: If [Earned Income] <= [FamilyCare Income Limit], then eligible
116. Look up [All Kids Assist Income Limit] based on [Family Size]
117. Logic Test: If [Earned Income] <= [All Kids Assist Income Limit], then eligible
118. Look up [All Kids Share Income Limit] based on [Family Size]
119. Logic Test: If [Earned Income] <= [All Kids Share Income Limit], then eligible
120. Look up [All Kids Premium Level I Income Limit] based on [Family Size]
121. Logic Test: If [Earned Income] <= [All Kids Premium Level I Income Limit], then eligible
122. Look up [All Kids Premium Level II Income Limit] based on [Family Size]
123. Logic Test: If [Earned Income] <= [All Kids Premium Level II Income Limit], then eligible
124. Look up [PMPM Per Adult] based on [County]
125. Calculate [FamilyCare Subsidy] = [PMPM Per Adult] * Number of Adults, if eligible
126. Look up [PMPM Per Child] based on [County]
127. Calculate [Total Child PMPM Cost] = [PMPM Per Child] * Number of Children, if eligible
128. Look up [All Kids Premium Share] based on number of children and eligibility of All Kids Assist, Share, Premium I and Premium II
129. Calculate [Total All Kids Subsidy] = [Total Child PMPM Cost] - [All Kids Premium Share]
130. Calculate [Medical Assistance Subsidy] = [FamilyCare Subsidy] + [Total All Kids Subsidy]
132. Look up [Premium Tax Credit Income Limit] based on [Family Size]
133. Logic Test [Adults Premium Tax Credit Eligibility]: If [MAGI] <= [Premium Tax Credit Income Limit] and if Adults not on FamilyCare, then eligible for Adult plan
134. Logic Test [Family Premium Tax Credit Eligibility]: If [MAGI] <= [Premium Tax Credit Income Limit] and if Children not on All Kids, then eligible for Family plan
135. Look up [100 percent of FPL] based on [Family Size]
136. Calculate [Percent Poverty FPL using MAGI] = [MAGI]/[100 percent of FPL]
137. Calculate [Percentage Points Above Bracket Levels] = [Percent Poverty FPL using MAGI] – Next Nearest Bracket Levels of 133 percent, 150 percent, 200 percent, 250 percent, 300 percent, 400 percent, which are based on ACA law.
138. Look up [Premium Tax Credit Intervals for FPL] and [Premium Tax Credit Intervals for Tax Credit] based on [Percent Poverty FPL using MAGI] using ACA law.
139. Calculate [Percentage Points to Add to Lower Bracket Level] = [Percentage Points Above Bracket Levels] * [Premium Tax Credit Intervals for Tax Credit] / [Premium Tax Credit Intervals for FPL] {Simple ratio}
140. Calculate [Maximum Premium Contribution Percentage] = [Percentage Points to Add to Lower Bracket Level] + Next Lowest Bracket Level
141. Calculate [Maximum Premium Contribution Amount] = [Maximum Premium Contribution Percentage] * [MAGI]
142. Convert [Maximum Premium Contribution Amount] to monthly amount, i.e., divide by 12
143. Look up [2nd Lowest Silver Plan for Adults] {Monthly} based on [County] and number of adults.
144. Look up [2nd Lowest Silver Plan for Family] {Monthly} based on [County] and number of adults and number of children.
145. Calculate [Premium Tax Credit] = [2nd Lowest Silver Plan for Adults] or [2nd Lowest Silver Plan for Family] - [Maximum Premium Contribution Amount] depending on [Family Size] and [MAGI] and eligibility of adults and children.

Health Insurance Exchange Premium Tax Credit (Monthly)

131. Calculate Modified Adjusted Gross Income [MAGI]: assume [Earned Income]

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