



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### Technical Manual

1. Overview	2
1.1 Purpose of the Policy Rules Database	2
1.2 The PRD as a Collaborative Effort	3
1.3 Public Assistance Programs and Tax Policies Included in the PRD	3
1.3.1 List of Public Assistance Programs	3
1.3.2 List of Taxes and Tax Credits	4
1.4 Information Requirements for Benefit Calculations	4
1.5 Relationship to the Cost-of-Living Database	5
1.6 Limitations of the PRD	6
1.7 Getting Started	6
2. A Review of Public Assistance Programs and Tax Policies and PRD User Guides	8
2.1 Public Assistance Programs	8
2.1.1 School Breakfast Program and National School Lunch Programs	8
2.1.2 Supplemental Nutrition Assistance Program	13
2.1.3 Medicaid and Children’s Health Insurance Program	20
2.1.4 Health Insurance Marketplace Subsidies	28
2.1.5 The Housing Choice Voucher Program (Section 8)	33
2.1.6 Head Start and Early Head Start	38
2.1.7 Child Care and Development Fund (CCDF) Subsidies	42
Alabama	46
Arkansas	47
California	48
Connecticut	48
Florida	49
Georgia	49
Illinois	50
Louisiana	50



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

Montana	50
New York	52
Oklahoma	53
South Carolina	53
Tennessee	53
Texas	54
Utah	54
Virginia	55
Wisconsin	55
2.2 Taxes and Tax Credits	57
2.2.1 Federal Personal Income Tax	57
2.2.2 State Personal Income Tax	60
2.2.3 State Sales Tax	65
2.2.4 Federal Insurance Contributions Tax	67
2.2.5 Federal Earned Income Tax Credit	69
2.2.6 State Earned Income Tax Credit	74
2.2.7 Federal Child Tax Credit	78
2.2.8 State Child Tax Credit	80
2.2.9 Federal Child and Dependent Care Tax Credit	83
2.2.10 State Child and Dependent Care Tax Credit	86
2.3 Policies Interactions	99
2.3.1 Child Care Cost Minimization Algorithm	99
2.3.2 Health Insurance Costs Minimization Algorithm	99
2.3.3 Interactions between Public Assistance Programs	100
2.3.4 Interactions between Taxes and Tax Credit	101
Appendix A. List of Abbreviations Used in the PRD	102



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

## 1. Overview

### 1.1 Purpose of the Policy Rules Database

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

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

The PRD can be used in the following ways:

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

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

formulas. Thus, the PRD provides significant value added over what already exists in other databases by (1) collating public assistance program rules and tax policies, (2) making policy rules easier to interpret, and (3) allowing for policy rule parameters to be incorporated into any programming language.

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

## 1.2 The PRD as a Collaborative Effort

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

The PRD currently supports the following online tools:

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

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

## 1.3 Public Assistance Programs and Tax Policies Included in the PRD

### 1.3.1 List of Public Assistance Programs

Supplemental Nutrition Assistance Program (SNAP), School Breakfast Program (SBP) and National School Lunch Program (NSLP), Housing Choice Voucher Program (Section 8), Child Care and Development Fund (CCDF) subsidies, Head Start, the Medicaid/Children's Health Insurance Program (CHIP), Health Insurance Marketplace Subsidies, Low-Income Home Energy Assistance Program (LIHEAP), Supplemental Security Income (SSI) program



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### 1.3.2 List of Taxes and Tax Credits

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

### 1.4 Information Requirements for Benefit Calculations

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

#### Family attributes (no default values)

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

#### Attributes of individual applying for benefits

- Marital status

#### Basic monthly expenses

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

- Rent or mortgage
- Utilities
- Food/Grocery expenses
- Childcare expenses
- Health insurance premium for all family members
- Costs of meals at school
- Child support payments

#### Child care and school-related variables



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

### 1.5 Relationship to the Cost-of-Living Database

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

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

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

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

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<sup>1</sup> See <http://www.selfsufficiencystandard.org/>.



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### 1.6 Limitations of the PRD

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

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

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

### 1.7 Getting Started

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

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

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

**Note:** Eligibility thresholds are specified in the PRD for each program, so they do not need to be calculated by users of the PRD. Eligibility thresholds vary by program, with most determined by the Federal Poverty Level (FPL), State Median Income (SMI), or Area Median Income (AMI). The precise value of the threshold and how it is calculated is provided in the PRD.



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

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

### 2.1 Public Assistance Programs

#### 2.1.1 School Breakfast Program and National School Lunch Programs

##### ***Overview***

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

##### ***Eligibility Determination***

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

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

##### ***Countable Income, Net Income, and Asset Tests***

##### **Countable Income**

For the purposes of determining eligibility, we use a limited definition of countable income. The full list of countable income can be found in the Limitations section below. The list of countable



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

income used for determination of countable income can be found in the [ListOfCountableIncome] field of the PRD.

### Net Income & Deductions

No deductions, and therefore no calculation of net income

### Asset Tests

No asset tests

### ***Value of Benefits Determination***

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

### ***Special Rules and Provisions***

#### American Rescue Plan rules

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

### ***Using the PRD: List of Inputs and Calculations***

#### List of Inputs

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

- The size of the family **{famsize}**. {famsize} can take on values between 1 and 8.



# Federal Reserve Bank of Atlanta

## Policy Rules Database

- Whether or not the family resides in Alaska or Hawaii **{AKorHI}**; {AKorHI}=1 if the family lives in AK or HI and 0 otherwise
- The age of each member of the household (up to 8) **{age\_1}, {age\_2}, {age\_3}, {age\_4}, {age\_5}, {age\_5}, {age\_6}, {age\_7}, {age\_8}**
- Determination of school age. As noted below, the Atlanta Fed assumes children with access to free pre-K {freePre-Kstate==1} are school age if they are between 4 and 17. Otherwise {freePre-Kstate==0} children are considered school age if between 5 and 17.
- Annual countable income of the family **{income}**- see [ListofCountableIncome] specified in the PRD
- Number of school days: **{numberofSchooldays}**

### Calculations

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

#### **Step 1: Calculate annual total countable income.**

{annual countable income} = sum([ListOfCountableIncome])

#### **Step 2: Determine eligibility and daily copay amount for one school-age child.**

*Categorically Eligible*=1 if [ListofCategoricalEligibility]

If {annual countable income} <= [IncomeBin1Max] OR *Categorically Eligible*=1 then *Copay* = [CopayBin1]

If {annual countable income} > [IncomeBin1Max] & {annual countable income} < [IncomeBin2Max] then *Copay* = [CopayBin2]

#### **Step 3: Determine the daily benefit value.**

*Daily Benefit Value* = {exp.schoollunches} - *Copay*

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

- 1) Set pre-K start age.

*pre-Kstartage*=4 if freePre-KState==1

*pre-Kstartage*=5 if freePre-KState==0

- 2) Determine number of school age children.

For persons i=1:8 {

*schoolage\_`i`*=1 if age\_`i` == (*pre-Kstartage*,17)

}



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

$$\text{numschoolagekids} = \text{sum}(\text{schoolage1}, \text{schoolage2}, \text{schoolage3}, \text{schoolage4}, \text{schoolage5}, \text{schoolage6}, \text{schoolage7}, \text{schoolage8})$$

### **Step 5: Annualize total benefit value and multiply by the number of school-age children.**

$$\text{Value.schoolMeals} = \text{Daily Benefit Value} * \{\text{number of school days}\} * \text{Number of School Age Children}$$

### ***Implementation-Specific Assumptions***

#### *Atlanta Fed*

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

### ***Limitations***

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

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

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



**Federal Reserve Bank *of* Atlanta**  
Policy Rules Database



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### 2.1.2 Supplemental Nutrition Assistance Program

#### **Overview**

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

#### **Eligibility Determination**

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

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

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

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

#### **Countable Income, Net Income, and Asset Tests**

##### Countable Income

A family's SNAP net income eligibility, gross income eligibility, and benefits amount are based on the countable income. *Countable income* can be earned income and unearned income. *Earned income* includes wages, salaries, commissions, and profits. *Unearned income* includes

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

some means-tested programs, education assistance, and support or alimony payments. See the PRD for details.

### Net Income and Deductions

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

### Asset Tests

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

### ***Value of Benefits Determination***

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

### ***Special Rules and Provisions***

#### American Rescue Plan Act of 2021 and related acts

1. The American Rescue Plan of 2021 extended the increase in SNAP benefits of 15 percent through September 2021. The increase in SNAP benefits was first established by the First Families Coronavirus Relief Act (FFCRA).
2. Separate from the increased SNAP maximum benefit, the FFCRA also established an emergency fund for states to use to provide the maximum SNAP benefit to all individuals qualifying for SNAP during the emergency period brought on by the pandemic. In January 2021, the federal government extended this emergency period, indicating it will likely last through 2021. All states, the District of Columbia, and Guam applied and were approved for emergency allotments as of March 2021. While the number of states approved for April 2021 EA is smaller, the list is likely incomplete and it stands to reason



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

that all states will similarly apply and be approved for this use of funds. See <https://www.fns.usda.gov/snap/covid-19-emergency-allotments-guidance>.

- Under April 2021 guidance, the “Emergency Allotment” provided for all families receiving SNAP in states opting for use of Emergency Allotment funds is defined as the maximum of (1) \$95 and (2) the difference between the maximum SNAP benefit (115 percent of the USDA Thrifty Food Plan amount) and a family's base SNAP benefit, determined by subtracting 30 percent of net income from this maximum SNAP benefit.
- 3. SNAP work requirements have been waived at the national level (prior to the American Rescue Plan) as long as the federal government has declared a public health emergency. The federal government has issued a memorandum indicating the expectation that the current public health emergency will remain in place until at least the end of the calendar year (December 2021).
- 4. H.R.8337 (Continuing Appropriations Act, 2021 and Other Extensions Act) also afforded states the option to waive recertification requirements for families receiving SNAP benefits. This effectively allows families who were once qualifying for SNAP due to low income to remain on SNAP even if their new income would have -- absent this exemption -- pushed them above the income limit for receiving SNAP benefits. Many but not all states have applied and received approval for waiving recertifications. See <https://www.fns.usda.gov/snap/cr-state-options>.

### ***Using the PRD: List of Inputs and Calculations***

#### List of Inputs

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

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



# Federal Reserve Bank of Atlanta

## Policy Rules Database

### Calculations

**Step 1: Calculate annual total countable income.**

$\{countableIncome\} = \text{sum}([ListOfCountableIncome])$

**Step 2: Calculate total countable assets.**

$\{countableAssets\} = \text{sum}([ListOfCountableAssets])$

**Step 3: Calculate earned income deduction.**

$EarnedIncomeDeduction = 0.2 * \{annual\ countable\ income\}$

**Step 4: Calculate adjusted income.**

$AdjustedIncome = \text{max}(0, (\{countableIncome\} - EarnedIncomeDeduction - 12 * [StandardDeduction] - \{netexp.childcare\}))$

**Step 5: Calculate utility deduction.**

If  $[netexp.utilities] > 0$  OR  $([LIHEAP\ received] > 0$  OR  $[HeatAndEatState] = 1)$ , then {  
     if  $[HCSUA] = \text{Mandatory}$ , then  $UtilityDeduction = [HCSUAValue] * 12$   
     if  $[HCSUA] = \text{Optional}$ , then  $UtilityDeduction = \text{max}([HCSUAValue], [netexp.utilities])$   
 } else {  
      $UtilityDeduction = 0$   
 }

**Step 6: Calculate net income.**

$NetIncome = AdjustedIncome - \text{min}(([\text{netexp.rent}] + UtilityDeduction) - 0.5 * AdjustedIncome), 12 * [MaxShelterDeduction])$

**Step 7: Determine eligibility, according to three criteria.**

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

**Step 8: Determine annual benefit amount.**

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

### ***Implementation-Specific Assumptions***

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# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

- We assume that the individual who is applying for SNAP and all family members meet work requirements (when applicable) for ABAWDs.
- We assume that utility expenses other than heating and cooling costs have no tangible effect on the total amount of SNAP benefits received (that is, we are not incorporating the limited or basic standard utility allowances, or SUAs).

### ***Limitations***

- People with disabled household members either do not face asset limits or have higher asset limits. The PRD does not include this logic.
- Every possible type of countable income is not listed in the PRD due to limitations on the amount of information is possible to collect and include in calculations. See <https://www.law.cornell.edu/cfr/text/7/273.9>, section b) for a precise definition of what income is countable and what is not.
- The PRD does not incorporate SNAP work requirements and time limits. *General* work requirements apply to SNAP recipients ages 16–59 and include “registering for work, participating in SNAP Employment and Training (E&T) or workfare if assigned by state SNAP agency, taking a suitable job if offered, and not voluntarily quitting a job or reducing your work hours below 30 a week without a good reason.”<sup>3</sup> In addition to these general SNAP work requirements, many states have more stringent work requirements for ABAWDs ages 18-59. These additional work requirements can be met if ABAWDs satisfy one of the following:
  - In school or training at least half-time
  - Work part-time (80 hours a month)
  - Engaged in a workfare program

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

SNAP has some exceptions to these ABAWD-specific requirements, including for those who:

- are unable to work due to a physical or mental limitation
- are pregnant
- live in a household with someone who is under 18
- are excused from the SNAP general work requirements

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<sup>3</sup> See <https://www.fns.usda.gov/snap/work-requirements>.



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

- live in a geographic area with a waiver on ABAWD work requirements<sup>4</sup>

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

- Alaska and New York State have geographical variations in the heating and cooling standard utility allowances (HCSUA) values. Our calculations of HCSUA values in Alaska are the average of the Central, Northern, South-Central, and Southeast regions. When computing the average, we exclude the Northwest and Southwest areas because the HCSUA in these areas is double the values in other areas and very few people live there.
- The calculation of utility deductions assumes that the family is paying for heating and cooling separately from rent. Therefore, the calculations do not account for basic/limited utility allowances that can be granted to households who pay at least some of their utilities separately from rent. Examples of the variety of state approaches to additional SUAs beyond heating and cooling include those listed here:  
[http://services.dpw.state.pa.us/oimpolicymanuals/snap/560\\_Income\\_Deductions/560\\_8\\_Shelter\\_UTILITY\\_Deduction.htm](http://services.dpw.state.pa.us/oimpolicymanuals/snap/560_Income_Deductions/560_8_Shelter_UTILITY_Deduction.htm),  
[https://dhs.maryland.gov/documents/Manuals/FSP%20\(Food%20Supplement%20Program\)%20Manual/214%20Utility%20Allowances/214-Utility-Allowances-rev-JULY-2020.pdf](https://dhs.maryland.gov/documents/Manuals/FSP%20(Food%20Supplement%20Program)%20Manual/214%20Utility%20Allowances/214-Utility-Allowances-rev-JULY-2020.pdf) (which allows additional SUAs beyond heating and cooling),  
<https://www.dss.virginia.gov/files/division/bp/fs/manual/P10.pdf> (which allows no SUAs beyond heating and cooling), and  
[https://eohhs.ehs.state.ma.us/DTA/PolicyOnline/BEACON5/!SSL!/WebHelp/SNAP/Expenses\\_and\\_Deductions/Household\\_Expenses/Standard\\_UTILITY\\_Expenses/Standard\\_UTILITY\\_Allowance\\_Expense\\_Introduction.htm](https://eohhs.ehs.state.ma.us/DTA/PolicyOnline/BEACON5/!SSL!/WebHelp/SNAP/Expenses_and_Deductions/Household_Expenses/Standard_UTILITY_Expenses/Standard_UTILITY_Allowance_Expense_Introduction.htm) (which allows SUAs beyond heating and cooling but does not allow SNAP recipients to claim more than one SUA).
- Some cars are excluded from the asset test (for example, if they are used primarily for income-producing purposes) and some cars are subject to an equity test. We do not include these custom logics. See [http://help.workworldapp.com/wwwwebhelp/vehicles\\_food\\_stamps.htm](http://help.workworldapp.com/wwwwebhelp/vehicles_food_stamps.htm) for details.
- As described on the USDA website, the SNAP program's *general* work requirements that can apply to SNAP recipients ages 16–59 include “registering for work, participating in SNAP Employment and Training (E&T) or workfare if assigned by your state SNAP agency, taking a suitable job if offered, and not voluntarily quitting a job or reducing your

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

work hours below 30 a week without a good reason.”<sup>5</sup> Several populations included in the PRD, including caretakers of children under six years old, are excluded from these general work requirements. Regardless, because these general SNAP work requirements do not require a set amount of work hours on the part of recipients but rather require engagement in services and not quitting a job or reducing hours—and there appears to be no state that mandates SNAP Employment and Training Program participation among non-ABAWD recipients—the PRD does not incorporate these general work requirements in SNAP.

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<sup>5</sup> See <https://www.fns.usda.gov/snap/work-requirements>.



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### 2.1.3 Medicaid and Children's Health Insurance Program

#### **Overview**

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

#### **Eligibility Determination**

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

Adults and children can get insurance through Medicaid and CHIP even if they have access to employer-sponsored health insurance.<sup>6</sup>

At this time, there are no work requirements for Medicaid.<sup>7, 8</sup>

#### Adults

- In those states that expand Medicaid, eligibility is 138 percent of the FPL (133 percent plus 5 percentage points income disregard).
- In states that did not expand Medicaid, adults without dependents are not covered by Medicaid.
- Under Section 1931 of the Social Security Act, low-income individuals with children are eligible for Medicaid if their income is below a certain threshold.<sup>9</sup> The threshold varies by state. See the PRD for details.
- Some states have special Medicaid programs that extend Medicaid to adults to higher-income thresholds.

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<sup>6</sup> This is our current conclusion based on the available information. See <https://khn.org/news/many-parents-with-job-based-coverage-still-turn-to-medicaid-chip-to-insure-kids/> as an example.

<sup>7</sup> Some states have attained or submitted waivers to implement Medicaid work requirements, which would disallow certain populations (primarily ABAWDs) from retaining Medicaid coverage without working or being in approved training/educational programs for a minimum number of hours. However, as of October 2020, all of these Medicaid work requirements have (1) been blocked by a court ruling, (2) been put on hold or halted by state governments themselves, (3) not yet been implemented, or (4) been submitted to the federal government but not yet approved.

<sup>8</sup> Currently, there are no states that have an active work requirement. Monitor status updates on state work requirements at <https://www.commonwealthfund.org/publications/maps-and-interactives/status-medicaid-expansion-and-work-requirement-waivers>.

<sup>9</sup> [https://www.ssa.gov/OP\\_Home/ssact/title19/1931.htm](https://www.ssa.gov/OP_Home/ssact/title19/1931.htm).



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### Children

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

### Premium Determination

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

### ***Countable Income, Net Income, and Asset Tests***

#### Countable Income

Eligibility is based on the modified adjusted gross income (MAGI).<sup>10</sup> MAGI is calculated as gross income less certain tax-deductible expenses plus certain deductions.

#### Net Income and Deductions

See above.

#### Asset Tests

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<sup>10</sup> See <https://www.investopedia.com/terms/m/magi.asp>. *Gross income* includes alimony, business gains, capital gains, dividends, interest, farm income, rental and royalty income, retirement income, tips and wages. *Tax-deductible expenses* include certain business expenses for performing artists, reservists, and fee-basis government officials (educator expenses, half of any self-employment taxes, health insurance premiums (if you're self-employed), health savings account contributions, moving expenses for members of the Armed Forces moving due to active duty, penalties on early withdrawal of savings, retirement plan contributions (including IRAs and self-employed retirement plan contributions), student loan interest, tuition, and fees). *Deductions* include any deductions you took for IRA contributions and taxable Social Security payments, excluded foreign income, interest from series EE savings bonds used to pay for higher education expenses, losses from a partnership, passive income or loss, rental losses, and the exclusion for adoption expenses. Also see <https://www.healthcare.gov/income-and-household-information/income/> for a list of MAGI.



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

According to the Affordable Care Act (ACA) rules, no state can impose an asset or resource test on Medicaid applicants or recipients beginning in 2014.<sup>11</sup> Some states require asset tests for other programs adjacent to Medicaid programs, such as “spend-down” or “buy-in” programs, which primarily benefit families that include people with disabilities or long-term health conditions.

### ***Value of Benefits Determination***

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

The premium amount depends on state, family size, and income. States have per-month, per-quarter, or per-year premiums.<sup>12</sup> In the PRD, we convert all premiums to annual amounts.

### ***Special Rules and Provisions***

#### Special State-Level Rules

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

- Minnesota

In Minnesota, the infant category under Title XIX-funded Medicaid includes insured and uninsured children up to age two whose family’s income is below 275 percent of the FPL, and insured children up to age two from 275-288 percent of the FPL. PRD accommodates this state-specific logic by adjusting the age of one- and two-year-olds down to 0 in the function.

Minnesota has implemented Basic Health Programs established by the ACA for adults with incomes between 138–200 percent of the FPL. Minnesotans not covered under Medicaid but covered under the Basic Health Plan pay a sliding scale premium payment up to \$80 per person per month.

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

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<sup>11</sup> See <https://www.medicaidplanningassistance.org/medicaid-eligibility/>.

<sup>12</sup> See <http://files.kff.org/attachment/Table-14-Medicaid-and-CHIP-Eligibility-as-of-Jan-2020.pdf>.



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

- New York

New York has implemented Basic Health Programs established by the ACA for adults with incomes between 138–200 percent of the FPL. See [https://www.health.ny.gov/health\\_care/managed\\_care/essential/2015-dec\\_annual\\_rpt.htm](https://www.health.ny.gov/health_care/managed_care/essential/2015-dec_annual_rpt.htm).

- Texas

In Texas, income limit for parents and other caretaker relatives is based on monthly dollar amounts that differ depending on family size and whether there are one or two parents in the family.<sup>13</sup>

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

### Medically Needy Program

This program is Also known as the Medicaid buy-in” or Medicaid “spend-down” program. A Medicaid spend down is a financial strategy used when an individual's income is too high to qualify for Medicaid. To be accepted into the program, some of an individual's income must be spent down to ensure that his or her income is low enough to qualify for Medicaid.<sup>14</sup> Currently, the PRD does not include this provision.

### ***Using the PRD: List of Inputs and Calculations***

#### List of Inputs

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

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<sup>13</sup> See <https://hhs.texas.gov/services/health/medicaid-chip/programs-services/children-families/medicaid-parents-caretakers>.

<sup>14</sup> See an example of Florida’s program: <https://www.myflfamilies.com/programs/access/docs/medneedybrochure.pdf>. For more information on spending down, see this Kaiser Family Foundation report: <https://www.kff.org/report-section/medicaid-financial-eligibility-for-seniors-and-people-with-disabilities-findings-from-a-50-state-survey-issue-brief/>. See Appendix table 3 of the Kaiser Foundation report for states’ eligibility requirements: <https://www.kff.org/report-section/medicaid-financial-eligibility-for-seniors-and-people-with-disabilities-findings-from-a-50-state-survey-appendix-tables/>.



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

### Calculations

#### **Step 1: Calculate annual total countable income.**

{countableIncome} = sum([ListofCountableIncome])

#### **Step 2: Calculate earned income deduction.**

*EarnedIncomeDeduction* = 0.2\*{annual countable income}

#### **Step 3: Determine what income eligibility limit is applied.**

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

#### **Step 4: Determine eligibility.**

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

#### **Step 5: Calculate CHIP premiums for children.**

- a) If {income}<=[IncomeBin1Max] then Premium.Child=[Premium.Child.Bin1]
- b) If {income}>[IncomeBin1Max] & {income}<=[IncomeBin2Max] then Premium.Child=[Premium.Child.Bin2]
- c) If {income}>[IncomeBin2Max] & {income}<=[IncomeBin3Max] then Premium.Child=[Premium.Child.Bin3]



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

- d) If {income}>[IncomeBin3Max] & {income}<=[IncomeBin4Max] then  
Premium.Child=[Premium.Child.Bin4]
- e) If {income}>[IncomeBin4Max] & {income}<=[IncomeBin5Max] then  
Premium.Child=[Premium.Child.Bin5]

### **Step 6: Assign premium for adults and children.**

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

### **Step 7: Determine the Medicaid/CHIP benefit amount.**

Benefit={exp.healthcare.medicaid}-Premium

### ***Implementation-Specific Assumptions***

#### *Atlanta Fed*

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

### ***Limitations***

- Medicaid and CHIP logic for copayments and cost-sharing determination is excluded from the PRD. No state charges copayments for Medicaid or CHIP for families that have incomes under 150 percent FPL except Tennessee, which has a long-standing federal waiver that includes charges for Medicaid copayments among families with less than 133 percent of the FPL. The copayment schedules and what copayments cover vary by state. For details, see this Kaiser Family Foundation report: <https://www.kff.org/report-section/medicaid-and-chip-eligibility-enrollment-and-cost-sharing-policies-as-of-january-2020-findings-from-a-50-state-survey-premiums-and-cost-sharing/>.
- Currently, the PRD does not include the Medically Needy program (also known as Medicaid buy-in or Medicaid spend-down” program).
- The PRD does not include the following state-specific rules:
  - Wisconsin

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

- California, the District of Columbia, Hawaii, Massachusetts, New Mexico, New York, and Pennsylvania

Some income-eligible adults who are not otherwise eligible due to immigration status may use state-only funds. In some cases, the coverage is limited to targeted groups, such as lawfully present immigrants who are in the five-year waiting period for Medicaid coverage. See <https://www.urban.org/features/state-immigration-policy-resource> for details.

- Massachusetts

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

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

- Virginia

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

- Oklahoma

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

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



**Federal Reserve Bank *of* Atlanta**  
Policy Rules Database



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### 2.1.4 Health Insurance Marketplace Subsidies

#### **Overview**

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

#### **Eligibility Determination**

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

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

#### **Countable Income, Net Income, and Asset Tests**

##### Countable Income

Eligibility is based on MAGI.<sup>15</sup> MAGI is calculated as gross income less certain tax-deductible expenses plus certain deductions.

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<sup>15</sup> See <https://www.investopedia.com/terms/m/magi.asp>. *Gross income* includes alimony, business gains, capital gains, dividends, interest, farm income, rental and royalty income, retirement income, and tips and wages. *Tax-deductible expenses* include certain business expenses for performing artists, reservists, and fee-basis government officials (educator expenses, half of any self-employment taxes, health insurance premiums [if you're self-employed], health savings account contributions, moving expenses for members of the Armed Forces moving due to active duty, penalties on early withdrawal of savings, retirement plan contributions [including IRAs and self-employed retirement plan contributions], student loan interest, and tuition and fees). *Deductions* include any deductions taken for IRA contributions and taxable Social Security payments, excluding foreign income, interest from series EE savings bonds



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### Net Income and Deductions

See above.

### Asset Tests

No asset tests.

### ***Value of Benefits Determination***

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

### ***Special Rules and Provisions***

### American Rescue Plan Act of 2021

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

- It removed the threshold at 400 percent for access to subsidies, establishing a ceiling of 8.5 percent of income to be spent on premiums for the benchmark second-lowest cost silver plan for people whose income exceeds 400 percent of the federal poverty level.
- It lowered the maximum percentage of income paid for a benchmark plan to 0 percent (from 2.07 percent) for individuals making between 100 percent-138 percent of FPL, to 0 percent (from 3.10 percent-4.14 percent) for individuals making between 138 percent-150 percent FPL, to 0 percent-2.0 percent (from 4.14 percent-6.52 percent) for individuals making between 150 percent-200 percent FPL, to 2.0 percent-4.0 percent (from 6.52-8.33 percent) for individuals making between 200 percent-250 percent FPL, to 4.0 percent-6.0 percent (from 8.33-9.83 percent) for individuals making between 250 percent-300 percent, and 6.0 percent-8.0 percent (from 9.83 percent) for individuals making between 300 percent-400 percent FPL.
- Unemployment Insurance payments can be exempted from income when claiming a higher premium tax credit. It can also be included in income when claiming the premium tax credit when tax filers are otherwise ineligible for it.

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used to pay for higher education expenses, losses from a partnership, passive income or loss, rental losses, and the exclusion for adoption expenses.



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### Special State-Level Rules

#### Vermont

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

### ***Using the PRD: List of Inputs and Calculations***

#### List of Inputs

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

- The size of the family - **{famsize}**. {famsize} can take on values between 1 and 8.
- Whether the family is located in Alaska or Hawaii or not - **{AKorHI}**. {AKorHI}=AK if the family lives in AK, {AKorHI}=HI if the family lives in HI and 0 otherwise.
- The age of each member of the household **{age\_1}, {age\_2}, {age\_3}, {age\_4}, {age\_5}, {age\_5}, {age\_6}, {age\_7}, {age\_8}**.
- Modified adjusted gross income - **{MAGI}**
- The cost of health insurance if purchased on the health exchange - **{exp.healthexchange}** (See the CLD for default values.)
- The cost of an individual plan if purchased through an employer **{premium.healthcare.individual}** (See the CLD for default values.)
- Year of fiscal rules - **{ruleYear}**

#### Calculations

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

#### **Step 1: Determine ineligibility.**

If {MAGI} < [IncomeLowerBound] OR {MAGI} > [IncomeBin6Max]  
 OR {premium.healthcare.individual} < [Affordability]\*{MAGI}\* then  
 ACAEligible =NO

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

##### **a) Federal rules**



# Federal Reserve Bank of Atlanta

## Policy Rules Database

If *ACAEligible* != NO then

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

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

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

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

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

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

### **b) Adjust for state-specific logics.**

If state = Vermont (stateFIPS=5) & {MAGI} > [IncomeLowerBound] & {MAGI} <= [IncomeBin5Max] then  
*IndPremium* = *IndPremium* - {MAGI}\*0.015

**Step 3: Determine the (annual) benefit value.**



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

*Annual Benefit Value = 12\*{exp.healthexchange} - IndPremium*

### ***Implementation-Specific Assumptions/Limitations***

*Atlanta Fed*

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

### ***Limitations***

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### 2.1.5 The Housing Choice Voucher Program (Section 8)

#### ***Overview***

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

#### ***Eligibility Determination***

Eligibility for admission into the housing voucher program is determined by HUD and based on total annual gross income and family size. To be eligible for the Housing Voucher, a family must be income-eligible in accordance with the federal law.<sup>16</sup> To be income-eligible, a family must be (1) a “very-low-income-limit” family, with income below 50 percent of the median income for the county or metropolitan area in which the family chooses to live, or (2) a “low-income-limit” family, with income below 80 percent of the median income for the county or metropolitan area where the family live. The family is “continuously assisted” under the 1937 Housing Act, meaning the family is already receiving assistance under any 1937 Housing Act program—for example, public housing—when the family is admitted to the voucher program. Once admitted to the program, the family does not undergo any further income eligibility tests. HUD publishes median income levels (to determine VLIL and LIL), which vary by location. See the PRD for details.

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

#### ***Countable Income, Net Income, and Asset Tests***

##### Countable Income

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<sup>16</sup> <https://www.law.cornell.edu/cfr/text/24/982.201>



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

### Net Income and Deductions

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

### Asset Tests

No asset tests.

### ***Value of Benefits Determination***

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

Each PHA sets a payment standard that determines the maximum amount of the rent subsidy. For each family size (number of adults and number of kids) and each area PRD proxies the payment standard with the Fair Market Rent (FMR) for a given family type in a given area.<sup>17</sup>

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

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

### ***Using the Policy Rules Database: List of Inputs and Calculations***

#### List of Inputs

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<sup>17</sup> Average utility expenses for a specific family type are calculated using data from the Consumer Expenditure Survey. See the CLD for details.



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

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

### Calculations

#### **Step 1: Calculate annual total countable income.**

$\{income.countable\} = \text{sum}([\text{ListOfCountableIncome}])$

#### **Step 2: Calculate adjusted income.**

$AdjustedIncome = \max(0, (\{income.countable\} - \{netexp.childcare\} - [\text{DependentDeduction}] * \{numkids\}))$

#### **Step 3: Determine initial eligibility if necessary.**

If  $\{CurrentlyonSection8\} = \text{FALSE}$ {  
 $initialEligibilityTest = \text{TRUE}$  if  $\{income.countable\} < [\text{InitialEligibility}]$   
 }

OR

If  $\{CurrentlyonSection8\} = \text{TRUE}$ {  
 Go to steps 4-6  
 }

#### **Step 4: Determine the Total Tenant Payment (TTP).**

$TTP = \max(0.1 * \{income.countable\}, 0.3 * AdjustedIncome)$

#### **Step 5: Determine benefit amount.**

if  $(initialEligibilityTest = \text{TRUE} \mid \{CurrentlyonSection8\} = \text{TRUE})$  then {  
 Benefit Value =  $\max(\min(\{\text{exp.rent}\} + \{\text{exp.utilities}\}, [\text{MaxRent}]) - TTP, 0)$   
 }



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### **Step 6: Reset subsidy recipient flag if necessary**

If Benefit Value>0 then CurrentlyonSection8[\_n+1]=TRUE

If Benefit Value=0 then CurrentlyonSection8[\_n+1]=FALSE

### ***Implementation-Specific Assumptions***

#### *Atlanta Fed*

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

### ***Limitations***

- According to the law, some additional eligibility requirements may apply for certain families that PRD does not account for. For details, see <https://www.law.cornell.edu/cfr/text/24/982.201>.
- Determination of the TTP in certain cases includes welfare rent from the public agency and the PHA minimum rent. PRD does not include these provisions. For details, see [https://www.hud.gov/sites/dfiles/PIH/documents/HCV\\_Guidebook\\_Calculating\\_Rent\\_and\\_HAP\\_Payments.pdf](https://www.hud.gov/sites/dfiles/PIH/documents/HCV_Guidebook_Calculating_Rent_and_HAP_Payments.pdf).
- Only U.S. citizens or noncitizens who have eligible immigration status are eligible for the subsidy. The law provides a definition of immigration statuses that fall under the eligible category. The PRD does not account for that. For details, see <https://www.law.cornell.edu/cfr/text/24/982.201>.
- A unified data source on the payment standard at the PHA level does not exist. For each family type and each area, the PRD approximates payment standards using FMR.
- The PRD does not account for the Small Area Fair Market Rents (SAFMRs) that are calculated at the ZIP code level and are required to be used to set Section 8 Housing Choice Voucher payment standards in areas designated by HUD. Instead, PRD uses population-weighted average FMRs at the county level. For details about SAFMRS see <https://www.huduser.gov/portal/datasets/fmr/smallarea/index.html>.
- To assign an FMR to the family type, the PRD does not account for the HUD guideline that two children of opposite sex should occupy separate rooms.



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

- Child care costs must be “reasonable,” as determined by the PHA. We do not account for these limits in calculations.<sup>18</sup>
- There are further deductions available for people 62 and over and the disabled that are not accounted for here.

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<sup>18</sup> See [https://www.hud.gov/sites/documents/DOC\\_35615.PDF](https://www.hud.gov/sites/documents/DOC_35615.PDF).



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### 2.1.6 Head Start and Early Head Start

#### **Overview**

The Head Start and Early Head Start programs are administered by the Office of Head Start, within the Administration for Children and Families of the U.S. Department of Health and Human Services. Head Start and Early Head Start grantees provide services to over a million children every year in every U.S. state and territory, in farm worker camps, and in over 155 tribal communities. The Office of Head Start was appropriated \$10.6 billion for fiscal year 2020.<sup>19</sup>

#### **Eligibility Determination**

Children from birth to age five and pregnant women from families with incomes below the poverty guidelines are eligible for Head Start and Early Head Start services. Children younger than three are eligible for Early Head Start, and children at least three years old up to school age (typically five years in most states) are eligible for Head Start. Children from families receiving Temporary Assistance for Needy Families (TANF) or SSI are categorically eligible.<sup>20</sup> Children who are homeless or in foster care are eligible as well.

Additionally, programs are allowed to enroll families whose incomes are below 130 percent of the poverty line, although the enrollment of these families are capped at 35 percent of participants.<sup>21</sup>

Head Start programs are required to operate a minimum of 3.5 hours per day, 4 days a week for 128 days per year, for an annual total of 448 hours. If it operates five days per week, the program must provide for care at least 160 days per year. By August 1, 2021, Head Start programs must provide 1,020 annual hours of class operation in a year to 45 percent of its enrollment.<sup>22</sup> Early Head Start programs must provide 1,380 annual hours for all center-based enrollees.

#### **Countable Income, Net Income, and Asset Tests**

##### Countable Income

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<sup>19</sup> <https://www.acf.hhs.gov/ohs/about>

<sup>20</sup> <https://www.federalregister.gov/documents/2015/02/10/2015-02491/head-start-program>

<sup>21</sup> <https://eclkc.ohs.acf.hhs.gov/policy/45-cfr-chap-xiii/1302-12-determining-verifying-documenting-eligibility> and <https://www.govinfo.gov/app/details/CFR-2010-title45-vol4/CFR-2010-title45-vol4-part1305/summary>

<sup>22</sup> <https://www.federalregister.gov/documents/2020/01/30/2020-00635/secretarial-determination-to-lower-head-start-center-based-service-duration-requirements>



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

Employment Income, TANF, SSI, SSDI, Social Security, unemployment benefits, student aid income, child support/spousal support received, foster child care payments, veterans benefits, other disability benefits, and most cash income. Non-cash government benefits, such as SNAP and housing subsidies, are not counted. Gifts are also not counted.<sup>23</sup>

### Net Income & Deductions

There are no deductions.

### Asset Tests

There is no asset test.

### ***Value of Benefit Determination***

The value of Head Start is the full cost of child care for the family. There is no copay. The value of the program does not phase out with income increases.

### ***Using Policy Rules Database: List of Inputs & Calculations***

#### List of Inputs

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

- **{countyortownName}** - name of the state or **{countyFIPS}** - FIPS code of the county
- Family size - **{famsize}**
- Total countable income of the family **{income.countable}** - see [ListofCountableIncome\_CCDF] specified in the PRD
- The age of each member of the household **{age\_1}**, **{age\_2}**, **{age\_3}**, **{age\_4}**, **{age\_5}**, **{age\_6}**, **{age\_7}**.
- Unsubsidized total child care expenses **{exp.childcare}**. (See the CLD for default values.)
- Value of Supplemental Security Income (SSI) - **{value.ssi}**
- Value of Temporary Assistance for Needy Families (TANF) - **{value.tanf}**

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<sup>23</sup> <https://ecfr.federalregister.gov/current/title-45/subtitle-B/chapter-XIII/subchapter-B/part-1305>

Additional examples of gross cash income are listed in the definition of “income” which appears in U.S. Bureau of the Census, Current Population Reports, Series page 206 (available at <https://www2.census.gov/prod2/popscan/p60-185.pdf>).



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### Calculations

#### **Step 1: Calculate annual total countable income**

{income.countable} = sum([ListOfCountableIncome])

#### **Step 2: Determine eligibility**

##### **2a - Categorical eligibility**

If {value.ssi} > 0 | {value.tanf} > 0 THEN categorically\_eligible=1

##### **2b - Income eligibility**

If (*AdjustedIncome* < [IncomeEligibilityLimit]) THEN income\_eligible=1

##### **2c - Eligibility for Early Head Start**

At least one child in the household ({age\_1}, {age\_2}, {age\_3}, {age\_4}, {age\_5}, {age\_6}, {age\_7}) is < 3 THEN early\_head\_start\_age\_eligible=1

##### **2d - Eligibility for Head Start**

At least one child in the household ({age\_1}, {age\_2}, {age\_3}, {age\_4}, {age\_5}, {age\_6}, {age\_7}) is inrange(3, 5) THEN head\_start\_age\_eligible=1

##### **2e - Combine age eligibility for Head Start and Early Head Start**

if (early\_head\_start\_age\_eligible==1 | head\_start\_age\_eligible==1) THEN age\_eligibility==1

if( (categorically\_eligible=1 & age\_eligibility=1) | (income\_eligible=1 & age\_eligibility=1)) THEN eligible=1

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

value.headStart=exp.childcare if eligible=1

### ***Limitations***

1. Foster children, children from homeless families, and pregnant women are eligible regardless of their foster family's income. These are not included in the PRD.
2. PRD assumes that Head Start and Early Head Start programs provide full-time care. However, not all programs are full-time care. Head Start programs are required to operate a minimum of 3.5 hours per day, 4 days a week for 128 days per year for an annual total of 448 hours. If it operates five days per week, the program must provide for



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

care at least 160 days per year. By August 1, 2021, Head Start programs must provide 1,020 annual hours of class operation to 45 percent of its enrollment in a year.<sup>24</sup> Early Head Start programs must provide 1,380 annual hours for all center-based enrollees. Actual hours of operation vary by states and not included in the PRD.

3. A program may enroll an additional 35 percent of participants whose families' incomes are below 130 percent of the poverty line in some cases. See <https://eclkc.ohs.acf.hhs.gov/policy/45-cfr-chap-xiii/1302-12-determining-verifying-documenting-eligibility> for details. The PRD does not contain this detail.
4. For the purposes of determining eligibility, the PRD uses a limited definition of countable income (See the PRD for the list).

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<sup>24</sup><https://www.federalregister.gov/documents/2020/01/30/2020-00635/secretarial-determination-to-lower-head-start-center-based-service-duration-requirements>



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### 2.1.7 Child Care and Development Fund (CCDF) Subsidies

#### **Overview**

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

States are required to report the following about family incomes to the federal Office of Child Care: employment, including self-employment; cash or other assistance (TANF); housing assistance; assistance under the Food Stamp Act of 1977; and other assistance programs.<sup>25</sup> However, each state can make its own decisions on how to calculate income for eligibility purposes, including deductions, but must “take into account the typical household budget of a low income family,” among other considerations.<sup>26</sup>

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

#### **Eligibility Determination**

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

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

Some states have requirements on minimum hours. Each state must define “working or attending a job training and educational program” for CCDF eligibility. States often define this as a minimum number of hours per week that the parent is involved in those activities. In Georgia, working is defined as a minimum of 24 paid work hours a week, while Tennessee requires 30

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<sup>25</sup> 42 U.S. Code Subchapter II-B- Child Care and Development Block Grant § 9858i - Reports and Audits. <https://www.law.cornell.edu/uscode/text/42/9858i>.

<sup>26</sup> 45 CFR 98.21 - Eligibility determination processes. <https://www.law.cornell.edu/cfr/text/45/98.21>



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

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

### ***Countable Income, Net Income, and Asset Tests***

#### Countable Income

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

#### Net Income & Deductions

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

#### Asset Tests

Under federal regulations, family assets cannot exceed \$1,000,000, but some states set CCDF asset limits below this amount, and one state (Arkansas) attained a waiver to remove the asset test completely.<sup>27</sup> <sup>28</sup> Additionally, federal rule does not define family assets and each state decides what assets count towards the asset test. See the PRD to determine asset limits for each state.

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<sup>27</sup> 45 CFR 98.20 - A child's eligibility for child care services. <https://www.law.cornell.edu/cfr/text/45/98.20>

<sup>28</sup> Urban Institute, *Key Cross-State Variations in CCDF Policies as of October 1, 2018: The CCDF Policies Database Book of Tables*. Table 17.



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### ***Value of Benefit Determination***

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

### ***Using the Policy Rules Database: List of Inputs and Calculations***

#### List of Inputs

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

- State identifiers: **{stateName}** - name of the state or **{stateFIPS}** - FIPS code of the state
- County identifiers: **{countyortownName}** - name of the state or **{countyFIPS}** - FIPS code of the county
- Family size - **{famsize}**
- Total countable income of the family **{income.countable}** - see [ListOfCountableIncome\_CCDF] specified in the PRD
- Total countable assets of the family **{assets.countable}** - see [ListOfCountableAssets\_CCDF] specified in the PRD
- The age of each member of the household **{age\_1}**, **{age\_2}**, **{age\_3}**, **{age\_4}**, **{age\_5}**, **{age\_6}**, **{age\_7}**.
- Unsubsidized total child care expenses **{exp.childcare}**. (See the CLD for default values.)

#### Calculations

##### **Step 1: Calculate annual total countable income and assets.**

**{income.countable}** = sum([ListOfCountableIncome\_CCDF])

**{assets.countable}** = sum([ListOfCountableAssets\_CCDF])

##### **Step 2: Calculate adjusted income.**



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

$AdjustedIncome = \max(0, (\{income.countable\} - 12 * \{incomeDisregard\}))$

### Step 3: Determine eligibility

#### **3a - Categorical eligibility**

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

IF *parent* is in a training (including SNAP E&T and TANF/WIOA training) &  $[cat\_elig\_training] = 1$  THEN  $category\_eligibility = 1$

#### **3b - Income eligibility**

If  $(AdjustedIncome < [ContinuousEligibility])$  THEN  $income\_eligibility=1$

#### **3c - Asset test**

If  $(\{assets\} < [AssetTest])$  THEN  $asset\_test=1$

#### **3d - Age of children**

At least one child in the household ( $\{age\_1\}, \{age\_2\}, \{age\_3\}, \{age\_4\}, \{age\_5\}, \{age\_5\}, \{age\_6\}, \{age\_7\}$ ) is younger than 13 THEN  $age\_eligibility=1$

IF  $category\_eligibility==1$  &  $age\_eligibility==1$  THEN  $eligibility=1$

IF  $category\_eligibility=0$  &  $income\_eligibility=1$  &  $asset\_test=1$  &  $age\_eligibility=1$  THEN  $eligibility=1$

### Step 4: Assign full-time copay based on income

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

Florida's copay varies by 19 income bins

if  $AdjustedIncome > 0$  &  $AdjustedIncome \leq [IncomeBin1Max]$  then  $FTcopay=[CopolyBin1]$

if  $AdjustedIncome > [IncomeBin1Max]$  &  $AdjustedIncome \leq [IncomeBin2Max]$  then  $FTcopay=[CopolyBin2]$

if  $AdjustedIncome > [IncomeBin2Max]$  &  $AdjustedIncome \leq [IncomeBin3Max]$  then  $FTcopay=[CopolyBin3]$

....

if  $AdjustedIncome > [IncomeBin17Max]$  &  $AdjustedIncome \leq [IncomeBin18Max]$  then  $FTcopay=[CopolyBin17]$



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

if *AdjustedIncome* > [IncomeBin5Max] & *AdjustedIncome* <= [IncomeBin3Max] then  
*FTcopay*=[CopayBin18]

### Step 5: Calculate total copay based on the needed amount of care

For each child determine if the child needs full-time or part-time care.

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

### Step 6: For each child calculate total school copay and total summer copay

If *typeOfCare*==Full-time THEN *copay\_school*=195\**FTcopay*  
 If *typeOfCare*==Part-time THEN *copay\_school*=0.5\*195\**FTcopay*  
*copay\_summer*=65\**FTcopay*  
*totalCopay* = *copay\_school*+*copay\_summer*

### Step 7: Calculate overage

if([OverageOption=Yes] THEN *overageCost*={exp.childcare}-[spr\_total]  
 if([OverageOption=No] THEN *overageCost*=0

### Step 8: Calculate total subsidy

Benefit = {exp.childcare}-*totalCopay*-*overageCost*

### ***Limitations***

1. States have different rules around categorical eligibility for parents who are in a GED program, ESL program, high school or college. These rules are not included in the PRD.
2. Some states have requirements around minimum work hours for each parent in the household. These requirements are not included in the PRD.

### ***Special Rules & Provisions***

#### Special State-Level Rules

Alabama

#### Eligibility Rules

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### Family Copayment Determination

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

### Limitations

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

### State Payment Rates (SPRs)

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

## Arkansas

### Eligibility Rules

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

### Family Copayment Determination

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

### State Payment Rates

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### California

#### Eligibility Rules (2020)

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

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

#### Family Copayment Determination

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

#### State Payment Rates

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

### Connecticut

#### Eligibility Rules

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

#### Family Copayment Determination:

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

#### State Provider Rates

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### Florida

#### State Eligibility Rules

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

#### Family Copayment Determination

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

Each of the state's 30 Early Learning Coalitions (ELC) and the Redlands Christian Migrant Association (RCMA) develops sliding fee scales based on the most current FPL and SMI. This information is provided in each coalition's School Readiness (SR) Plan or the RCMA contract and subject to OEL approval.

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

#### State Payment Rates

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

### Georgia

#### State Eligibility Rules

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

#### Family Copayment Determination

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

#### State Provider Rates

Programs currently receive a 10 percent bonus for one star, a 20 percent bonus for two stars, and a 40 percent bonus for three stars. (Custom logic or limitations section)



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

### Illinois

#### Eligibility Rules

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

#### Family Copayment Determination

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

#### State Payment Rates

TBA

### Louisiana

#### Eligibility Rules

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

#### Family Copayment Determination

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

#### State Payment Rates

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

### Montana

#### Eligibility Rules

For families not receiving TANF, initial eligibility is based on the household’s monthly income, which must be below 150 percent of the FPL based on family size. Continuous eligibility is



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

between 150 percent and below 185 percent of FPL. There are 20 income bins. Countable income includes gross unearned and earned monthly income of all adult and minor members of the household. Unearned income includes child support income. TANF Cash benefits are also counted, although TANF Cash supplement - FS countable and work support payments through the TANF program are not counted towards eligibility. See detailed guidance on countable income here:

<https://dphhs.mt.gov/Portals/85/ecfsd/documents/ChildCare/policymanual/CC26IncomeTable070718.pdf>. Family assets must not exceed \$1,000,000.

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

The monthly minimum hourly work requirement doesn't apply to households receiving TANF cash assistance or to teen parent(s) attending high school or an equivalent program.

Assistance is not available to parents seeking postsecondary education beyond a bachelor's or its equivalent or to a parent who has earned a degree within the past five years. For the latter group, they may not be eligible due to education purposes, but could possibly be eligible based on other eligibility criteria (work hours and income).

### Family Copayment Determination

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

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

### State Provider Rates:

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

New York

### Eligibility Rules

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

### Family Copayment Determination

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

The family share is determined as follows:

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

The (SIS) is equal to the federal poverty level.

### State Payment Rates

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

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### Oklahoma

#### Eligibility Rules

Continuous eligibility is 85 percent of SMI. Children receiving SSI or TANF cash assistance are eligible for subsidized child care. Family assets must not exceed \$1,000,000.

#### State Payment Rates

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

#### Family Copayment Determination

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

### South Carolina

#### Eligibility Rules

Families with income at or below 55 percent of the State Median Income (SMI) for their family size are eligible for child care assistance. Families will continue to be eligible for child care assistance as long as their income does not exceed 85 percent of the SMI. Assets must not exceed \$1,000,000.

#### Family Copayment Determination

Families must pay copayments based on family size and monthly income for each child every week. Families receiving TANF cash assistance do not pay a copayment for child care assistance.

#### State Payment Rates

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

### Tennessee

#### State Eligibility Rules

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### Family Copayment Determination

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

### State Payment Rates

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

## Texas

### State Eligibility Rules

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

### Family Copayment Determination

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

## Utah

### Eligibility Rules

Both initial and continuous eligibility limits are less than 85 percent of SMI. Asset limit is \$1,000,000.

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

### Family Copayment Determination

The family copayments depend on the household size, household income, and the number of children enrolled in subsidized child care. Copayments for children experiencing homelessness and for families with very low incomes are waived.



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### State Payment Rates

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

### Virginia

#### Eligibility Rules

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

#### Family Copayment Determination

Co-payments are waived for TANF recipients and for Head Start participants whose countable gross monthly income after deductions is less than 100 percent FPL. All other families are required to pay a copayment between 5-10 percent of their monthly gross income, based on family size and income. ~~Virginia's manual describes copayment as being based on "gross income" but then says it's actually based on gross income minus their list of deductions.~~

#### State Payment Rate

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

### Wisconsin

#### State Eligibility Rules

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

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### Family Copay Determination:

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

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

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

### State Payment Rates

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

## 2.2 Taxes and Tax Credits

### 2.2.1 Federal Personal Income Tax

#### *Overview*

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

#### *Total Tax Liability Calculation*

The federal individual income tax has seven tax rates ranging from 10 percent to 37 percent. The rates apply to taxable income—adjusted gross income (AGI) minus either the standard deduction or allowable itemized deductions. Income up to the standard deduction (or itemized deductions) is thus taxed at a zero rate. State income tax is allowed as a deduction in computing federal income tax, subject to limitations for individuals.<sup>29</sup>

#### *Using the PRD: List of Inputs and Calculations*

##### List of Inputs

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

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

##### Calculations

###### **Step 1: Calculate annual total countable income.**

$\{\text{countableIncome.AGI}\} = \text{sum}(\{\text{ListOfCountableIncome}\})$

###### **Step 2: Calculate taxable income.**

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<sup>29</sup> Only taxpayers who itemize deductions on their federal income tax returns can deduct state and local real estate and personal property taxes, and either income taxes or general sales taxes. The Tax Cuts and Jobs Act limited the total state and local tax deduction to \$10,000.



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

$\text{taxableIncome} = \{\text{countableIncome.AGI}\} - [\text{Standard Deduction}]$

### Step 3: Calculate income amount taxable at each rate.

Taxable Income Bin 1 =  $\max\{(\text{taxableIncome}-0) - \max\{\text{taxableIncome} - [\text{IncomeBin1Max}],0\},0\}$

Taxable Income Bin 2 =  $\max\{(\text{taxableIncome}-[\text{IncomeBin1Max}]) - \max\{\text{taxableIncome} - [\text{IncomeBin2Max}],0\},0\}$

Taxable Income Bin 3 =  $\max\{(\text{taxableIncome}-[\text{IncomeBin2Max}]) - \max\{\text{taxableIncome} - [\text{IncomeBin3Max}],0\},0\}$

Taxable Income Bin 4 =  $\max\{(\text{taxableIncome}-[\text{IncomeBin3Max}]) - \max\{\text{taxableIncome} - [\text{IncomeBin4Max}],0\},0\}$

Taxable Income Bin 5 =  $\max\{(\text{taxableIncome}-[\text{IncomeBin4Max}]) - \max\{\text{taxableIncome} - [\text{IncomeBin5Max}],0\},0\}$

Taxable Income Bin 6 =  $\max\{(\text{taxableIncome}-[\text{IncomeBin5Max}]) - \max\{\text{taxableIncome} - [\text{IncomeBin6Max}],0\},0\}$

Taxable Income Bin 7 =  $\max\{(\text{taxableIncome}-[\text{IncomeBin6Max}]) ,0\}$

### Step 4: Calculate tax liability paid at each rate.

Value Tax Bin 1 =  $[\text{Tax Rate 1}] * \text{Taxable Income Bin 1}$

Value Tax Bin 2 =  $[\text{Tax Rate 2}] * \text{Taxable Income Bin 2}$

Value Tax Bin 3 =  $[\text{Tax Rate 3}] * \text{Taxable Income Bin 3}$

Value Tax Bin 4 =  $[\text{Tax Rate 4}] * \text{Taxable Income Bin 4}$

Value Tax Bin 5 =  $[\text{Tax Rate 5}] * \text{Taxable Income Bin 5}$

Value Tax Bin 6 =  $[\text{Tax Rate 6}] * \text{Taxable Income Bin 6}$

Value Tax Bin 7 =  $[\text{Tax Rate 7}] * \text{Taxable Income Bin 7}$

### Step 5: Calculate total tax liability.

Federal Income Tax Value = Value Tax Bin 1 + ... + Value Tax Bin 7

### *Implementation-Specific Assumptions*

#### *Atlanta Fed*

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

### *Limitations*

- The PRD does not include itemized deductions.
- Given that itemized deductions are not included, the PRD does not allow for interaction between state income tax and federal income tax.



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

- The PRD does not account for tax filers with different filing statuses in the same household.



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### 2.2.2 State Personal Income Tax

#### ***Overview***

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

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

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

#### ***Total Tax Liability Calculation***

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

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

#### ***Special Rules and Provisions***

##### Special State-Level Rules

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### *Using the PRD: List of Inputs and Calculations*

#### List of Inputs

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

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

#### Calculations

##### **Step 1: Calculate annual total countable income.**

$\{countableIncome.AGI\} = \text{sum}(\{ListOfCountableIncome\})$

##### **Step 2: Calculate deductible federal income tax.**

$\text{fedincometax} = \{tax.income.fed\} - \{value.taxcredits.fed\}$

##### **Step 3: Calculate taxable income.**

If  $\{FederalIncomeTaxDeductible\} = \text{"Yes"}$ , then  $\text{taxableIncome} = \{countableIncome.AGI\} - \{Standard Deduction\} - \text{fedincometax}$

If  $\{FederalIncomeTaxDeductible\} = \text{"No"}$ , then  $\text{taxableIncome} = \{countableIncome.AGI\} - \{Standard Deduction\}$

##### **Step 4: Calculate income amount taxable at each rate.**

$\text{Taxable Income Bin 1} = \max\{(\text{taxableIncome} - 0) - \max\{\text{taxableIncome} - [\text{IncomeBin1Max}], 0\}, 0\}$

$\text{Taxable Income Bin 2} = \max\{(\text{taxableIncome} - [\text{IncomeBin1Max}]) - \max\{\text{taxableIncome} - [\text{IncomeBin2Max}], 0\}, 0\}$

$\text{Taxable Income Bin 3} = \max\{(\text{taxableIncome} - [\text{IncomeBin2Max}]) - \max\{\text{taxableIncome} - [\text{IncomeBin3Max}], 0\}, 0\}$

$\text{Taxable Income Bin 4} = \max\{(\text{taxableIncome} - [\text{IncomeBin3Max}]) - \max\{\text{taxableIncome} - [\text{IncomeBin4Max}], 0\}, 0\}$

$\text{Taxable Income Bin 5} = \max\{(\text{taxableIncome} - [\text{IncomeBin4Max}]) - \max\{\text{taxableIncome} - [\text{IncomeBin5Max}], 0\}, 0\}$



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

Taxable Income Bin 6 =  $\max\{(\text{taxableIncome} - [\text{IncomeBin5Max}]) - \max\{\text{taxableIncome} - [\text{IncomeBin6Max}], 0\}, 0\}$

Taxable Income Bin 7 =  $\max\{(\text{taxableIncome} - [\text{IncomeBin6Max}]) - \max\{\text{taxableIncome} - [\text{IncomeBin7Max}], 0\}, 0\}$

Taxable Income Bin 8 =  $\max\{(\text{taxableIncome} - [\text{IncomeBin7Max}]) - \max\{\text{taxableIncome} - [\text{IncomeBin8Max}], 0\}, 0\}$

Taxable Income Bin 9 =  $\max\{(\text{taxableIncome} - [\text{IncomeBin8Max}]) - \max\{\text{taxableIncome} - [\text{IncomeBin9Max}], 0\}, 0\}$

Taxable Income Bin 10 =  $\max\{(\text{taxableIncome} - [\text{IncomeBin9Max}]), 0\}$

### **Step 5: Calculate tax liability paid at each rate.**

Value Tax Bin 1 =  $[\text{Tax Rate 1}] * \text{Taxable Income Bin 1}$

Value Tax Bin 2 =  $[\text{Tax Rate 2}] * \text{Taxable Income Bin 2}$

Value Tax Bin 3 =  $[\text{Tax Rate 3}] * \text{Taxable Income Bin 3}$

Value Tax Bin 4 =  $[\text{Tax Rate 4}] * \text{Taxable Income Bin 4}$

Value Tax Bin 5 =  $[\text{Tax Rate 5}] * \text{Taxable Income Bin 5}$

Value Tax Bin 6 =  $[\text{Tax Rate 6}] * \text{Taxable Income Bin 6}$

Value Tax Bin 7 =  $[\text{Tax Rate 7}] * \text{Taxable Income Bin 7}$

Value Tax Bin 8 =  $[\text{Tax Rate 8}] * \text{Taxable Income Bin 8}$

Value Tax Bin 9 =  $[\text{Tax Rate 9}] * \text{Taxable Income Bin 9}$

Value Tax Bin 10 =  $[\text{Tax Rate 10}] * \text{Taxable Income Bin 10}$

### **Step 6: Calculate total tax liability.**

State Income Tax Value = Value Tax Bin 1 + ... + Value Tax Bin 10

### ***Implementation-Specific Assumptions***

#### *Atlanta Fed*

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

#### ***Limitations***

- The PRD does not include information on local (county or municipality) taxes
- Itemized deductions such as home mortgage interest deduction are not included to the PRD.
- PRD does not account for tax filers with different filing statuses in the same household.
- State-specific rules not in the PRD include:



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

- Idaho

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

- Maryland

Maryland has a special tax deduction called Subtraction for Child and Dependent Care Expenses, that allows families to deduct child care expenses. The amount of expenses claimed under the federal CDCTC is subtracted from income before deductions are taken. The amount of tax savings is worth the amount of expenses multiplied by the taxpayer's Maryland income tax rate. For details, see [https://nwlc-ciw49tixqw5lbab.stackpathdns.com/wp-content/uploads/2018/12/Final\\_Report\\_NWLC\\_MCLT.pdf](https://nwlc-ciw49tixqw5lbab.stackpathdns.com/wp-content/uploads/2018/12/Final_Report_NWLC_MCLT.pdf).

- Massachusetts

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

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

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

- Montana



## Federal Reserve Bank *of* Atlanta Policy Rules Database

Montana has a special tax deduction, the Child and Dependent Care Expense Deduction, that allows families to deduct child care expenses. For families who are itemizing deductions, child and dependent care expenses are deducted from the state AGI. Expenses must be for the care of a child under age 15, or dependents or a spouse who are physically or mentally incapable or caring for themselves. The amount of expenses that can be claimed is limited to \$2,400 for one child or dependent, \$3,600 for two children or dependents, or \$4,800 for three or more children or dependents. For families with an AGI exceeding \$18,000, the amount of eligible expenses is reduced by one-half the amount of income over \$18,000. The amount of tax savings from the deduction is worth the amount of expenses multiplied by the taxpayer's Montana income tax rate. For details, see [https://nwlc-ciw49tixqw5lbab.stackpathdns.com/wp-content/uploads/2018/12/Final\\_Report\\_NWLC\\_MCLT.pdf](https://nwlc-ciw49tixqw5lbab.stackpathdns.com/wp-content/uploads/2018/12/Final_Report_NWLC_MCLT.pdf).

- Virginia

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### 2.2.3 State Sales Tax

#### ***Overview***

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

#### ***Total Tax Liability Calculation***

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

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

#### ***Using the PRD: List of Inputs and Calculations***

##### List of Inputs

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

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### Calculations

#### **Step 1: Calculate total sales tax liability.**

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

#### ***Implementation-Specific Assumptions***

##### *Atlanta Fed*

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

#### ***Limitations***

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### 2.2.4 Federal Insurance Contributions Tax

#### *Overview*

FICA is a tax mechanism codified in Title 26, Subtitle C, Chapter 21 of the United States Code.<sup>30</sup> FICA mandates a payroll tax on the paychecks of employees, as well as contributions from employers, to fund the Social Security and Medicare programs. For self-employed persons, there is an equivalent law called the Self-Employed Contributions Act. FICA contributions are mandatory, with rates set annually, although not necessarily changed annually.

#### *Total Tax Liability Calculation*

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

#### *Using the PRD: List of Inputs and Calculations*

##### List of Inputs

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

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

##### Calculations

###### **Step 1: Calculate Social Security tax liability.**

Social Security Tax =  $\min(\{\text{income.AGI}\}, [\text{SocialSecurityTaxBase}]) * [\text{SocialSecurityTaxRate}]$

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

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

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<sup>30</sup> <https://www.law.cornell.edu/uscode/text/26/subtitle-C/chapter-21>



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

### **Step 3: Calculate Medicare tax liability.**

Medicare Tax = Taxable Income Bin 1\*[MedicareTaxRateBin1]+Taxable Income Bin 2\*[MedicareTaxRateBin2]

### **Step 4: Calculate total FICA tax.**

FICA tax = Social Security Tax + Medicare Tax

### ***Implementation-Specific Assumptions***

#### *Atlanta Fed*

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

### ***Limitations***

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### 2.2.5 Federal Earned Income Tax Credit

#### ***Overview***

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

#### ***Eligibility Determination***

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

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

Those who are married and filing separately are not eligible.

#### ***Countable Income, Net Income, and Asset Tests***

##### Countable Income

Eligibility is based on both the AGI and earned income. AGI is calculated as gross income less certain deductions.<sup>31</sup> Earned income includes taxable employee compensation and net earnings

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<sup>31</sup> <https://www.investopedia.com/terms/a/agi.asp> Some of the most prominent deductions made to reach an individual's AGI include: certain retirement plan contributions, such as individual retirement accounts (IRA), SIMPLE IRA, SEP-IRA, and qualified plans; half of the self-employment tax; Healthcare Savings Account (HSA) deductions; alimony paid (included in the recipient's gross income); moving expenses (but since 2018, only if you're active-duty military moving due to military orders); losses incurred from the sale or exchange of property; early-withdrawal penalties levied by financial institutions; school tuition, fees, and student loan interest (exceptions and limits usually apply); jury duty pay turned over to a filer's employer; some business-related expenses incurred by performing artists, teachers, fee-basis government officials, and reservists.



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

from self-employment as well as certain disability payments.<sup>32</sup> The EITC also has restrictions on the amount of investment income.<sup>33</sup>

### Net Income and Deductions

See above.

### Asset Tests

No asset tests.

### ***Value of Benefits Determination***

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

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

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

### ***Special Rules and Provisions***

#### American Rescue Plan Act of 2021

The American Rescue Plan of 2021 (ARP) expanded the Federal Earned Income Tax Credit<sup>34</sup> for taxpayers with no qualifying children in the following ways:

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<sup>32</sup> According to the IRS, the following are considered taxable earned income: wages, salaries, tips, and other taxable employee compensation; union strike benefits; disability retirement benefits received prior to minimum retirement age; and net earnings from self-employment. See <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/earned-income>.

<sup>33</sup> Investment income is income that comes from interest payments, dividends, capital gains collected upon the sale of a security or other assets, and any other profit made through an investment vehicle. See <https://www.investopedia.com/terms/i/investmentincome.asp>.

<sup>34</sup> For details see Sections 9621 to 9626 of the H.R. 1319 - American Rescue Plan Act of 2021 <https://www.congress.gov/bill/117th-congress/house-bill/1319/text#toc-H0C12C4EC613B459E8FD2E83EC29B8E25>



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

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

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

### ***Using the PRD: List of Inputs and Calculations***

#### List of Inputs

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

- Filing status of the individual - **{filingStatus}**. The four filing statuses are: individual, married filing jointly, heads of household, and married filing separately.
- Number of eligible children - **{numkids}**
- Age of tax credit claimer **{ageRespondent}**
- Age of spouse (if available) **{ageSpouse}**
- Adjusted gross income - **{income.AGI}**
- Earned income - **{income.earned}**
- Year of fiscal rules - **{ruleYear}**

#### Calculations

**Step 1: Calculate the number of eligible dependents.**

$\text{numkids} = \text{sum}(\text{age}_i < 19)$



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### **Step 2: Compute benefit amount based on earned income.**

if {income.earned} < [IncomeBin1Max], then Benefit = 0

if {income.earned} >= [IncomeBin1Max] & {income.earned} < [IncomeBin2Max], then Benefit = [PhaseInRate]\*({income.earned}-0)

if {income.earned} >= [IncomeBin2Max] & {income.earned} < [IncomeBin3Max], then Benefit = [MaxCredit]

if {income.earned} >= [IncomeBin3Max] & {income.earned} < [IncomeBin4Max], then Benefit = [PhaseOutRate]\*({income.earned}-[IncomeBin4Max])

if {income.earned} >= [IncomeBin4Max], then Benefit = 0

### **Step 3: Adjust EITC calculations based on AGI.**

If {income.AGI} != {income.earned} & {income.AGI} > [IncomeBin3Max], then

Benefit = [PhaseOutRate]\*({income.AGI}-[IncomeBin4Max])

if {income.AGI} >= [IncomeBin4Max], then Benefit = 0

### **Step 4: Apply a special rule for those who do not claim children.**

if {numkids} == 0 & ({filingStatus} == "Individual" | {filingStatus} == "Head of the Household")  
{ageRespondent} < 25 , then Benefit = 0

if {numkids} == 0 & ({filingStatus} == "Married Filing Jointly") ( {ageRespondent} < 25 &  
{ageSpouse} < 25) , then Benefit = 0

### ***Implementation-Specific Assumptions***

#### *Atlanta Fed*

- The PRD calculations assume that individuals have a valid social security number and are U.S. citizens or permanent residents.
- The PRD calculations assume that anyone in the household under the age of 19 meets all qualifying child rules and are counted as children.

### ***Limitations***

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

- PRD does not include special EITC rules related to people with disabilities and people who have a qualifying child with disability. For details see <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/disability-and-earned-income-tax-credit>



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### 2.2.6 State Earned Income Tax Credit

#### ***Overview***

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

#### ***Eligibility Determination***

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

#### ***Countable Income, Net Income, and Asset Tests***

##### Countable Income

See the Federal EITC section for details.

##### Net Income and Deductions

See the Federal EITC section for details.

##### Asset Tests

See the Federal EITC section for details.

#### ***Value of Benefits Determination***

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

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

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### ***Special Rules and Provisions***

#### Special State-Level Rules

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

- California

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

- Ohio

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

- Oregon

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

- Maryland

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

- Maryland also allows filers without children who qualify for the federal EITC except for the age requirements to receive a state EITC, at 50 percent of the amount that the federal credit would have been if there was no age requirement.
- Maryland has an additional nonrefundable state Poverty Level Credit that allows workers to claim a credit of 5 percent of their earned income. Eligibility requirements are the following:
  - Maryland state tax exceeds 50 percent of a worker's federal EITC.
  - A worker's earned income and federal AGI are below the poverty income threshold. The Maryland Poverty Level Credit is not included in the PRD.



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

- Minnesota

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

### ***Using the PRD: List of Inputs and Calculations***

#### List of Inputs

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

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

#### Calculations

##### **Step 1: Calculate the tax credit amount.**

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

##### **Step 2: Adjust for refundability/nonrefundability.**

If [Refundable] == "Yes", then Benefit = Benefit

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

##### **Step 3: Reflect special state-level rules.**

If stateFIPS==6 (California)

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

If [Refundable] == "Yes", then Benefit = Benefit

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

If stateFIPS==24 (Maryland)

value.eitc.fed = (replicate steps from the Federal EITC)

Benefit.refundable = 0.28\*{value.eitc.fed}

Benefit.nonrefundable = min(0.5\*{value.eitc.fed}, {tax.income.state}-Benefit.refundable)

Benefit = Benefit.refundable + Benefit.nonrefundable

If stateFIPS==39 (Ohio)

If {income.earned} > 20000 then Benefit = min(Benefit, 0.5\*{tax.income.state})

If stateFIPS==41 (Oregon)

If {ageOfYoungestChild} < 3 then Benefit = 0.12\*{value.eitc.fed}

If {ageOfYoungestChild} >= 3 then Benefit = 0.09\*{value.eitc.fed}

### **Step 4: Apply special rule for those who do not claim children (except Maryland)**

if {numkids} == 0 & ({filingStatus} == "Individual" | {filingStatus} == "Head of the Household")  
{age\_1} < 25 & stateFIPS !=24 , then Benefit = 0

if {numkids} == 0 & ({filingStatus} == "Married Filing Jointly") ({age\_1} < 25 & {age\_2} < 25) &  
stateFIPS !=24 , then Benefit = 0

### ***Implementation-Specific Assumptions***

#### *Atlanta Fed*

- See the Federal EITC section.

### ***Limitations***

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### 2.2.7 Federal Child Tax Credit

#### ***Overview***

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

#### ***Eligibility Determination***

CTC is available to parents with qualifying dependents under the age of 17. A family that earns less than \$2,500 is ineligible for the credit. Those with incomes above \$480,000 (\$280,000 for singles and household heads) receive no CTC.

#### ***Countable Income, Net Income, and Asset Tests***

##### Countable Income

Eligibility is based on the AGI. The AGI is calculated as gross income less certain deductions.<sup>35</sup>

##### Net Income and Deductions

See above.

##### Asset Tests

No asset tests.

#### ***Value of Benefits Determination***

Working families can receive a refund equal to 15 percent of their earnings above \$2,500. This refund can be worth up to \$1,400 per child. Families can claim a maximum tax credit of \$2,000.

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<sup>35</sup> See <https://www.investopedia.com/terms/a/agi.asp>. Some of the most prominent deductions made to reach an individual's AGI include: certain retirement plan contributions, such as individual retirement accounts (IRA), SIMPLE IRA, SEP-IRA, and qualified plans; half of the self-employment tax; HSA deductions; alimony paid (included in the recipient's gross income); moving expenses (but since 2018, only if you're active-duty military moving due to military orders); losses incurred from the sale or exchange of property; early-withdrawal penalties levied by financial institutions; school tuition, fees, and student loan interest (exceptions and limits usually apply); jury duty pay turned over to a filer's employer; and some business-related expenses incurred by performing artists, teachers, fee-basis government officials, and reservists.



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

### *Special Rules and Provisions*

#### American Rescue Plan Act of 2021

The American Rescue Plan of 2021 (ARP) expanded the Child Tax Credit for the 2021 tax year in several ways<sup>36</sup>, all of which are temporary unless federal legislation enacts these changes for future tax years:

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

### *Using the PRD: List of Inputs and Calculations*

#### List of Inputs

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

- Filing status of the individual - **{filingStatus}**. There are four filing statuses: individual, married filing jointly, head of household, and married filing separately.
- Number of eligible children - **{numkids}**
- The age of each member of the household **{age\_1}, {age\_2}, {age\_3}, {age\_4}, {age\_5}, {age\_5}, {age\_6},{age\_7},{age\_8}**
- Adjusted gross income - **{income.AGI}**
- Total federal tax liability (federal personal income tax and FICA) - **{tax.income.federal}**
- Year of fiscal rules - **{ruleYear}**

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<sup>36</sup> For details see Section 9611 of the H.R.1319 - American Rescue Plan Act of 2021  
<https://www.congress.gov/bill/117th-congress/house-bill/1319/text#toc-H0C12C4EC613B459E8FD2E83EC29B8E25>



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### Calculations

#### **Step 1: Calculate the number of children that the family can claim.**

$\text{numberofdependents} = \text{sum}(\text{age}_i > [\text{AgeOfDependentMin}] \ \& \ \text{age}_i < [\text{AgeOfDependentMax}])$

#### **Step 2: Calculate the value of the tax credit per eligible child.**

if  $\{\text{income.AGI}\} < [\text{IncomeBin1Max}]$ , then Benefit = 0

if  $\{\text{income.AGI}\} > [\text{IncomeBin1Max}] \ \& \ \{\text{income.AGI}\} < [\text{IncomeBin2Max}]$ , then Benefit =  $\text{min}(\text{max}(\{\text{tax.income.federal}\}, [\text{RefundableCredit}]), [\text{MaxCredit}])$

if  $\{\text{income.AGI}\} > [\text{IncomeBin2Max}]$ , then Benefit =  $[\text{MaxCredit}] - [\text{PhaseOutSlope}] * (\{\text{income.AGI}\} - [\text{IncomeBin2Max}])$

#### **Step 3: Calculate the total value of the tax credit.**

$\text{Benefit} = \text{Benefit} * \text{numberofdependents}$

### ***Implementation-Specific Assumptions***

#### *Atlanta Fed*

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

### ***Limitations***

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

## 2.2.8 State Child Tax Credit

### ***Overview***

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

### ***Eligibility Determination***



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

### ***Countable Income, Net Income, and Asset Tests***

#### Countable Income

See the Federal CTC section for details.

#### Net Income and Deductions

See the Federal CTC section for details.

#### Asset Tests

See the Federal CTC section for details.

### ***Value of Benefits Determination***

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

### ***Using the PRD: List of Inputs and Calculations***

#### List of Inputs

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

- Filing status of the individual - **{filingStatus}**. There are four filing statuses: individual, married filing jointly, head of household, and married filing separately.
- The age of each member of the household **{age\_1}, {age\_2}, {age\_3}, {age\_4}, {age\_5}, {age\_5}, {age\_6}, {age\_7}, {age\_8}**
- Adjusted gross income - **{income.AGI}**
- Total state personal income tax liability - **{tax.income.state}**
- Value of federal CTC - **{value.ctc.fed}**



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### Calculations

**Step 1: Calculate the number of children that the family can claim.**

numberofdependents = sum(age\_i > [AgeOfDependentMin] & age\_i < [AgeOfDependentMax])

**Step 2: Calculate the value of the tax credit per eligible child.**

if {income.AGI} <= [IncomeBin1Max] then Benefit=max([ValueBin1],  
[PercentOfFederalBin1]\*{value.ctc.fed})

if {income.AGI} > [IncomeBin1Max] & {income.AGI} <= [IncomeBin2Max] then  
Benefit=max([ValueBin2], [PercentOfFederalBin2]\*{value.ctc.fed})

if {income.AGI} > [IncomeBin2Max] & {income.AGI} <= [IncomeBin3Max] then  
Benefit=max([ValueBin3], [PercentOfFederalBin3]\*{value.ctc.fed})

if {income.AGI} > [IncomeBin4Max] then Benefit=0

**Step 3: Adjust for refundability/nonrefundability.**

If [Refundable] == "Yes", then Benefit = Benefit

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

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

Benefit = Benefit\*numberofdependents

### ***Implementation-Specific Assumptions***

#### *Atlanta Fed*

- See the Federal Child Tax Credit section.

### ***Limitations***

- See the Federal Child Tax Credit section.



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### 2.2.9 Federal Child and Dependent Care Tax Credit

#### ***Overview***

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

#### ***Eligibility Determination***

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

#### ***Countable Income, Net Income, and Asset Tests***

##### Countable Income

Eligibility is based on both the AGI and earned income. The AGI is calculated as gross income less certain deductions.<sup>37</sup> Earned income includes taxable employee compensation and net earnings from self-employment, as well as certain disability payments.<sup>38</sup>

##### Net Income and Deductions

See above.

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<sup>37</sup> See <https://www.investopedia.com/terms/a/agi.asp>. Some of the most prominent deductions made to reach an individual's AGI include certain retirement plan contributions, such as individual retirement accounts (IRA), SIMPLE IRA, SEP-IRA, and qualified plans; half of the self-employment tax; HSA deductions; alimony paid (included in the recipient's gross income); moving expenses (but since 2018, only if you're active-duty military moving due to military orders); losses incurred from the sale or exchange of property; early-withdrawal penalties levied by financial institutions; school tuition, fees, and student loan interest (exceptions and limits usually apply); jury duty pay turned over to a filer's employer; and some business-related expenses incurred by performing artists, teachers, fee-basis government officials, and reservists

<sup>38</sup> According to the IRS, the following is considered taxable earned income: wages, salaries, tips, and other taxable employee compensation; union strike benefits; disability retirement benefits received prior to minimum retirement age; and net earnings from self-employment. See <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/earned-income>.



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### Asset Tests

No asset tests.

### ***Value of Benefits Determination***

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

### ***Special Rules and Provisions***

#### American Rescue Plan Act of 2021

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

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

### ***Using the PRD: List of Inputs and Calculations***

#### List of Inputs

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

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### Calculations

#### **Step 1: Compute the value of the tax credit.**

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

#### **Step 2: Adjust for nonrefundability.**

If Refundable=="Yes" then  
Benefit = min(Benefit, {tax.income.federal})

### ***Implementation-Specific Assumptions***

#### *Atlanta Fed*

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

### ***Limitations***

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### 2.2.10 State Child and Dependent Care Tax Credit

#### ***Overview***

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

#### ***Eligibility Determination***

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

#### ***Countable Income, Net Income, and Asset Tests***

##### Countable Income

See the Federal CDCTC section for details.

##### Net Income & Deductions

See the Federal CDCTC section for details.

##### Asset Tests

See the Federal CDCTC section for details.

#### ***Value of Benefits Determination***

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

#### ***Special Rules and Provisions***

##### Special State-Level Rules

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

- Colorado

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

- Hawaii

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

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

- Idaho

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

- Louisiana

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

- Maine

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

- Maryland

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

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

- Massachusetts

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

- Minnesota

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

- Montana

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

- Nebraska

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

- New Mexico

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

- New York

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

- South Carolina

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



# Federal Reserve Bank of Atlanta

## Policy Rules Database

Spouses filing separately are ineligible for the CDCTC.

- Virginia

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

### ***Using the PRD: List of Inputs and Calculations***

#### List of Inputs

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

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

#### Calculations

##### **Step 1: Calculate the value of a credit.**

if {income.AGI} <= [IncomeBin1Max] then

Benefit=max([PercentOfFederalBin1]\*{value.cdctc.fed}, [PercentOfExpensesBin1]\*{expense})

if {income.AGI} > [IncomeBin1Max] & {income.AGI} <= [IncomeBin2Max] then

Benefit=max([PercentOfFederalBin2]\*{value.cdctc.fed}, [PercentOfExpensesBin2]\*{expense})

if {income.AGI} > [IncomeBin2Max] & {income.AGI} <= [IncomeBin3Max] then

Benefit=max([PercentOfFederalBin3]\*{value.cdctc.fed}, [PercentOfExpensesBin3]\*{expense})

if {income.AGI} > [IncomeBin3Max] & {income.AGI} <= [IncomeBin4Max] then

Benefit=max([PercentOfFederalBin4]\*{value.cdctc.fed}, [PercentOfExpensesBin4]\*{expense})

if {income.AGI} > [IncomeBin4Max] & {income.AGI} <= [IncomeBin5Max] then

Benefit=max([PercentOfFederalBin5]\*{value.cdctc.fed}, [PercentOfExpensesBin5]\*{expense})



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

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

### **Step 2: Adjust for nonrefundability.**

If [Refundable] == "Yes", then Benefit = Benefit

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

### **Step 3: Reflect special state-level rules.**

#### If stateFIPS==8 (Colorado)

Calculate Steps 1 - 3

Adjust for Low-Income Child Care Expenses Credit:

If {value.cdctc.fed}==0 & {expense}>0 , then Benefit=0.25\*{expense}

If {NumberOfKidsUnder13}<=2, then Benefit = min(Benefit, 500\*{NumberOfKidsUnder13})

If {NumberOfKidsUnder13}>2, then Benefit = min(Benefit, 1000)

#### If stateFIPS==15 (Hawaii)

If {NumberOfKidsUnder13}==1, then {expenses}=min({expenses},2400)

If {NumberOfKidsUnder13}>=21, then {expenses}=min({expenses},4800)

if {income.AGI} <= [IncomeBin1Max] then

Benefit=max([PercentOfFederalBin1]\*{value.cdctc.fed}, [PercentOfExpensesBin1]\*{expense})

if {income.AGI} > [IncomeBin1Max] & {income.AGI} <= [IncomeBin2Max] then

Benefit=max([PercentOfFederalBin2]\*{value.cdctc.fed}, ([PercentOfExpensesBin1]-  
[PhaseOutRate]\*({income}-[IncomeBin1Max]))\*{qualifying expenses})

if {income.AGI} > [IncomeBin2Max] & {income.AGI} <= [IncomeBin3Max] then

Benefit=max([PercentOfFederalBin3]\*{value.cdctc.fed}, [PercentOfExpensesBin3]\*{expense})

if {income.AGI} > [IncomeBin3Max] & {income.AGI} <= [IncomeBin4Max] then

Benefit=max([PercentOfFederalBin4]\*{value.cdctc.fed}, [PercentOfExpensesBin4]\*{expense})

if {income.AGI} > [IncomeBin4Max] & {income.AGI} <= [IncomeBin5Max] then

Benefit=max([PercentOfFederalBin5]\*{value.cdctc.fed}, [PercentOfExpensesBin5]\*{expense})



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

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

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

### If stateFIPS==22 (Louisiana)

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

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

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

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

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

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

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

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

### If stateFIPS==23 (Maine)

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

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

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

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

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

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

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

### If stateFIPS==24 (Maryland)

If {filingStatus} == "Married Filing Jointly", then

[IncomeBin1Max] = 75000

[IncomeBin2Max] = 110000

[IncomeBin3Max] = 125000

[IncomeBin4Max] = 141000

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

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

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

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

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

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

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

### If stateFIPS==27 (Minnesota)

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

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

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

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

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

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

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

### If stateFIPS==31 (Nebraska)

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

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

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

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

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

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

### If stateFIPS==35 (New Mexico)

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

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

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

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

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

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

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

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

### If stateFIPS==36 (New York)

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

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

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

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

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

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

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

### If stateFIPS==45 (South Carolina)

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

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

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

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

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

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

If [Refundable] == "Yes", then Benefit = Benefit

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

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

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

### ***Implementation-Specific Assumptions***

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- See the Federal Child and Dependent Care Tax Credit section.

### ***Limitations***

State-specific rules not Included in the PRD.

- Arkansas

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

- Louisiana

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

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

For details, see [https://nwlc-ciw49tixqw5lbab.stackpathdns.com/wp-content/uploads/2018/12/Final\\_Report\\_NWLC\\_MCLT.pdf](https://nwlc-ciw49tixqw5lbab.stackpathdns.com/wp-content/uploads/2018/12/Final_Report_NWLC_MCLT.pdf).

- Maine

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

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

- New Mexico

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

- Oklahoma

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

- Oregon

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

- Vermont

This state has a separate refundable Low-Income Child and Dependent Care Credit. This credit is calculated as 50 percent of the federal CDCTC received, if care was provided by a regulated child care provider with federal accreditation or a 3-, 4-, or 5-STAR quality designation in the state's quality recognition and improvement system, known as STARS (Step Ahead Recognition System). Find eligible providers: [https://dcf.vermont.gov/sites/dcf/files/CDD/Docs/Eligible\\_programs\\_for\\_tax\\_credit.pdf](https://dcf.vermont.gov/sites/dcf/files/CDD/Docs/Eligible_programs_for_tax_credit.pdf).



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### 2.3 Policies Interactions

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

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

#### 2.3.1 Child Care Cost Minimization Algorithm

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

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

#### 2.3.2 Health Insurance Costs Minimization Algorithm

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

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

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

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

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

### 2.3.3 Interactions between Public Assistance Programs

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

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

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

### 2.3.4 Interactions between Taxes and Tax Credit

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

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



# Federal Reserve Bank *of* Atlanta

## Policy Rules Database

### Appendix A. List of Abbreviations Used in the PRD

Abbreviation	Definition
ABAWD	Able-Bodied Adult without Dependents
ACA	Affordable Care Act
AGI	Adjusted gross income
BBCE	Broad-based categorical eligibility
CCDF	Child Care Development Fund
CDCTC	Child and Dependent Care Tax Credit
CEP	Community Eligibility Provision
CHIP	Children’s Health Insurance Program
CLD	Cost-of-Living Database
CLIFF	<a href="#">Career Ladder Identifier and Forecaster</a>
CTC	Child Tax Credit
EITC	Earned Income Tax Credit
FICA	Federal Insurance Contributions Act
FIPS	Federal Information Processing Standards
FMR	Fair Market Rent
FPL	Federal poverty level
HCSUA	Heating and cooling standard utility allowance
HSA	Healthcare Savings Account
HUD	Department of Housing and Urban Development
LIHEAP	Low-Income Home Energy Assistance Program
MAGI	Modified adjusted gross income
NSBP	National Student Breakfast Program
NSLP	National Student Lunch Program



# Federal Reserve Bank *of* Atlanta Policy Rules Database

PHA	Public housing agencies
PRD	Policy Rules Database
SAFMRS	Small Area Fair Market Rents
SBP	School Breakfast Program
SNAP	Supplemental Nutrition Assistance Program
SUA	Standard utility allowance
TANF	Temporary Assistance for Needy Families
TTP	Total Tenant Payment
USDA	United States Department of Agriculture